The Conference Board

Employee Communications: New Top-Management Priority

How leading corporate communicators are:

- *intensifying efforts to improve employee performance*
- *coping with tighter budgets, less staff*
- *using videos and desktop technology*
- *aligning communications with corporate goals*

Research Report No. 919

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by Kathryn L. Troy

A Research Report from The Conference Board

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From the President

The communications revolution that is linking points around the globe is also being harnessed at the level of the firm. Improved technology is expediting exchanges between management and employees as they confront the challenges of today's rapidly changing business climate. Many management experts agree that effective corporate communication is essential to helping employees understand and adjust to new corporate structures, missions, and goals. But in some firms, such efforts are tempered by a mandate to conserve resources.

This study looks at how U.S. firms are honing the communications skills of their managers and sharpening the focus of the corporate messages geared to their employees. It explores the mediums and the messages, some far less familiar than others, being used in hundreds of firms and the benefits and drawbacks communicators are encountering. The report provides useful information and insight not only for communications managers and specialists, but for those in related staff functions, such as human resources.

The Conference Board appreciates the time invested by executives in the nearly 300 companies that provided survey responses. Special thanks are also extended to many executives who participated in the interview portion of this research.

PRESTON TOWNLEY
President

Highlights

Corporate communicators in major US firms report that top managements are stepping-up their demands for communications in order to reach employees during a period of unprecedented internal change. The majority of the 281 firms participating in this study underwent restructuring or experienced major staff cutbacks during the mid 1980s; almost half were involved in mergers or acquisitions.

New Missions and Messages

Many employee communicators reported recent changes in the mission for their function. Today's messages emphasize business-related topics, stress corporate goals and objectives, and explain shifts in the corporate culture. Communicators are also attempting to influence employee behavior by promoting attention to quality and by encouraging higher productivity.

Shared Responsibility

Responsibility for employee communications at the corporate level is shared by executives in the corporate communications (or public affairs/relations) department and those in human resources (or personnel). Typically, communications executives are responsible for management letters and bulletins, for one or more employee periodicals, and for audiovisual communiques. Human resources executives generally take charge of specialized messages, such as employee-orientation and compensation and benefit materials, and run bulletin board programs. Both departments sponsor small-group meetings, although human resources executives are somewhat more likely to do so.

Divisions and Business Units

Shared-responsibility is the norm. Almost half of the firms divide tasks between corporate level executives and those at divisions or business units. About 40 percent centralize responsibility for most employee communications at the corporate level; less than 10 percent rely on a decentralized organizational model. According to respondents, decentralization and sharing is the organizational trend for the early 1990s.

Titles and Reporting Relationships

In more than two-thirds of the cases studied, the person with managerial responsibility for employee communications has the title of vice president or director. In only a few cases does this responsibility lie with a person **below** the level of manager or supervisor. The employee communications executive reports to a top officer (CEO or President) in almost a quarter of the cases. In only a few instances does the function report to someone with a title **below** the level of director.

Management Practices

Study findings suggest that employee communicators are polishing their management skills and searching for ways to "work smarter" at a time when top management is asking them to do more with less. Survey results reveal that:

- Three quarters of the responding firms prepare an annual plan for employee communications; in a majority of these firms, the communications plan becomes part of the corporate plan.
- About a third of the firms have a written policy statement covering employee communications.
- Currently, the median staff size at the corporate level is three full-time and one part-time professionals. In about half of the firms, staffing trends have been stable over the past few years; about 30 percent added staff and the rest made cuts. Only about 20 percent expect to add staff in the next few years, but few anticipate decreases. A steady state will prevail, according to three-quarters of the respondents.
- Growing workloads are being shouldered by hiring outside expertise. Almost 60 percent of the companies used outside assistance in the past few years. Nearly a quarter of those who have not used outsiders expect to do so in the 1988 to 1991 period.
- Communicators are monitoring the effectiveness of their programs through employee surveys in almost 60 percent of the responding firms. Virtually all of the companies conduct readership studies.

- Almost half of the respondents "reappraised" their communications program recently. In one out of two firms, an outside consultant was hired to conduct this evaluation.

Delivering the Message to Employees

Recent company-sponsored and independent surveys document a preference among employees for a two-way communications process and a face-to-face delivery system. And many communicators say they are working to build or polish such capabilities in their firms. Three-quarters of the responding firms have a program of small group meetings between managers and employees, and in seventy percent of these firms, such meetings have increased in the past few years. Over half of the executives reported that their firm includes communications training in management education programs.

The printed word remains a communications staple:

- Communicators rely on management letters and bulletins and the employee periodical to achieve most of their communications goals.
- Over 90 percent of the participating firms have at least one periodical that goes to all employees, with magazines having a slight edge over newsletters or newspapers. At least a third of the firms have a publication for one or more special groups: managers, individual divisions or specific functions such as sales. About a quarter of the respondents have a special publication for retirees.
- Desktop publishing is making it easier for personal computer users to bypass many of the time-consuming steps traditionally a part of designing and composing employee periodicals. The technology is available in about 40 percent of the surveyed firms—in about half of these companies it is used only at headquarters.
- Communicators are also responsible for brochures and manuals that respond to special needs: company mission statements, guidelines on ethics, company histories, and reports on community involvement.

Audiovisual materials are used by virtually all of the respondents, but are generally considered a complement to print. At least half of the companies use this medium to lift employee morale and promote goodwill, supply information about company products, encourage employees to be productive and quality-oriented, and inform them about salary and benefits.

About a third of the respondents report using either **telephone hotlines** or computer-based **"electronic" messaging** to reach employees, most often with up-to-date news about internal changes.

Looking Ahead

As they prepare for the 1990s, communicators are hoping to enhance their position. The goal is to change the perception of top and line managers, so that the communicator is no longer regarded as a narrow technician, but as part of the management team. Communicators expect to continue their efforts to inform employees and bolster employee morale, as well as to exert more influence on employee performance, especially by focusing attention on important corporate goals and objectives. Many communicators hope to upgrade the way they deliver messages to employees, through reworking periodical publications, using more audiovisuals, or developing electronic messaging capability. Improved two-way communication between management and employees is also high on the agenda of future goals.

Several communicators list improved management of their function as a future priority. They are planning to gather more feedback on the effectiveness of their efforts, and to document their role in helping the company meet its goals.

About This Report

This study is based upon survey responses from 281 major U.S. manufacturing and service firms: In late 1987 and early 1988, questionnaires were mailed to 1,020 corporations, including the 500 largest manufacturers and 500 largest service companies included in FORTUNE Magazine's 1986 listing. Survey data are supplemented with information gathered through interviews with 22 practitioners in both manufacturing and service firms. (See Table below for a participant profile by industry.)

Three quarters of the responding companies are of a financial size of more than $1 billion; about 10 percent have less than $500 million in sales or assets.* More than half of the respondents (55 percent) employ more than 10,000 people, while about 20 percent have fewer than 3,000 employees.

Among the executives responding, 30 percent have a title of vice president or above, 37 percent hold the title of assistant vice president or director, and managers or supervisors account for another 30 percent. Two-thirds of the executives are in communications or a function with a similar designation. Another 30 percent are evenly distributed between public relations and the public (or corporate) affairs function. The human resources area accounts for about 5 percent, with the remainder distributed among a range of other functions.

*Financial service companies are ranked by assets; transportation and utilities companies are ranked by operating revenues; and companies in all other industries are ranked by sales.

Responding Firms: Industry Profile

	Number of Companies	*Percent of Total Group*
INDUSTRY GROUPS		
Manufacturing	**137**	**49%**
Durable goods	75	27
Nondurable goods	62	22
Service	**144**	**51**
Utilities	53	19
Financial services	64	23
–Banking	34	12
–Insurance and other	30	11
Nonfinancial services	27	10
All companies	281	100%

Chapter 1

A New Environment for Employee Communications

The 1980s have intensified Corporate America's concern about the place of U.S. industry in an increasingly competitive, global, and interdependent economic landscape. Managements talk about the need to "restructure," and to boost "productivity," "competitiveness," "entrepreneurism," and "quality programs." In many U.S. firms, top managers have taken the next step; they are redesigning their organizations and recasting their corporate missions, complementing them with strategies for enhancing profitability and ensuring survival.

Real changes are taking place in the everyday life of the workplace. Employees face tighter staffing, increased workloads, longer work hours, and greater emphasis on performance, excellence, risk taking, and inventiveness. Often, there are also major alterations in companies' internal structures. For some managers and rank-and-file employees these developments present new opportunities; others are disoriented and depressed by the scope and pace of change.

To ensure their firm's survival in today's climate, in top executives find they must reorient employees perplexed by change, as well as inform and motivate those who are adapting more readily. This study reveals that employee communications are playing an increasingly crucial role in this management effort.

Defining A Mission For The 1980s And Beyond

In theory, much of the information employees require should come directly from their supervisors. But as companies grow and become more complex, the diversity and volume of information expands and the responsibility for some kinds of internal communications is often transferred to a specialized staff function—such as personnel or public affairs. Newsletters or magazines, brochures, telephone hotlines, videos, and small group meetings are among the vehicles used by some companies to deliver such messages. Other firms simply rely on occasional top management memos or sets of procedural guidelines.

Experts in internal communications sometimes explain the goals for their field in terms of a hierarchy of human needs: Employees are likely to ask certain "me" questions first, e.g. "what is my job; what does it pay; how well am I performing?"; then progress to questions about their work group and its performance. Ultimately, employees may seek feedback about the company as a whole and their role in contributing to its success.[1]

The mission that employee communications executives define for their operation may vary from the all-encompassing to the highly specific. For example, executives in 46 percent of the 225 major U.S. firms that provided mission statements for this study said that their purpose is to "inform, communicate, educate," and/or "motivate" employees. About the same number tie their mission to supporting corporate goals and objectives. A handful of executives identified "building teamwork," developing a "family" atmosphere or promoting human values as their guiding principle. (See Box p. 2.)

Mission Statements Reflect Change

"Our company has undergone major changes: A leveraged buyout...a major restructuring, a new CEO, and then another new CEO. We have had significant downsizing and the divestiture of most of our subsidiaries," reported a communications executive. Similar litanies were heard from many of the 281 survey participants. Since 1984, more than two thirds of the firms studied underwent a major corporate restructuring; almost half endured substantial staff reductions, and about 45 percent experienced merger and acquisition activity. (See Table 1 on p. 3.) A smaller group of companies, 13 percent, relocated their corporate headquarters, about a quarter of the firms mentioned other challenges, such as a new top management team, a major shift in their corporate culture, or a revamped corporate identity.

During the mid 1980s, top management in many firms developed new statements of corporate values, mission or guiding principles (see samples in Appendix). Communicators in more than half of the firms surveyed (53 percent) also report changes in the mission of the employee communications function. Most described the purpose as "somewhat" different, but 15 percent said today's mission is "very"

[1]Based on the theories of Abraham Maslow. See Motivation and Personality (New York: Harper and Row, 1954). See also: David Hoffman, *D'Aprix Discusses Communications Awareness*, Communications World, November 1985.

The Mission of Employee Communications

Some internal communications executives believe their primary mission is to support corporate goals and objectives:

"To help the company achieve its corporate goals by providing news and information that maintains quality, productivity, and morale." (A utility)

"To keep all employee efforts focused on the company's goals during a period of major change." (A manufacturer)

- Several companies combine the goals and objectives theme with other priorities:

"To identify the company's interests and aims with those of employees: Mutual goals generate mutual effort." (A utility)

"To ensure all employees have access to key information and share an common identity in order to: maximize productivity, promote morale, and understand company goals." (An energy company)

"To promote programs that: a) keep employees abreast of corporate objectives and goals; b) promote/recognize employee involvement at the professional and community service level; and c) give employees the opportunity and vehicles to communicate concerns and opinions to management." (A bank)

"To plan and execute relevant, credible communications to help promote employee understanding, influence opinion, reinforce behavior and develop attitudes which will improve the effectiveness of the workforce in the achievement of corporate objectives." (Durable goods' manufacturer)

"To help management achieve its business objectives through the support of informed, productive, proud employee who understand and endorse the company's activities and positions; to recognize employees' achievements." (An energy company)

For other executives, the mission is broader, making no specific reference to corporate goals and objectives:

"To keep employees informed and a part of company activities." (An electronics company)

"To inform, educate, motivate, and inspire employees." (A bank)

"To relay important information to our employees in a concise, easy to understand manner." (An insurer)

- Some statements emphasize two-way communications between mangement and employees:

"To create and nourish an environment that encourages the exchange of information and ideas up, down, and across organization lines." (A bank)

"To establish and keep open two-way channels of communication between employees and management; to help assure greater job satisfaction and individual productivity." (A durable goods' manufacturer)

"To keep employees well informed; seek their opinions and feedback; ulitmately, to gain understanding and support of the company goals." (A utility)

"To project and maintain a positive image of the company and its management to internal audiences; to encourage individual employee involvement in the successful conduct of the company's business and to provide two-way communications between management and employees." (An electronics company)

Ownership, partnership and team spirit are prominent themes in some company's statements:

"To keep employees informed and to let employees know that management cares." (A telecommunications company)

"To create and enhance team spirit, explain company actions, develop support of company culture and introduce/explain changes." (A bank)

"Our program is designed to create a sense of belonging within the organization—adjectives such as warm, personal, professional, and motivational best describe our mission." (A bank)

"To facilitate the creation of an environment that will foster the effectiveness of the business and the self-esteem and productivity of each individual; to meet the information needs of our employees." (A durable goods' manufacturer)

"To inform employees on business goals, performance and issues so that employees will align themselves with the company as partners." (A nondurable goods' manufacturer)

"To ensure employees understand corporate strategy and philosophy so that they will accept ownership of it in their daily assignments." (A bank)

"To inform employees about the company's vision and values and present examples of our people applying the values, achieving business objectives, and fostering teamwork." (A durable goods' manufacturer)

different. By sector, durable goods' manufacturers appear most likely to have made a recent change, while financial services companies other than banks are least likely to have done so. (See Table 2 on p. 3.)

In many recent corporate restructurings, decision making has been decentralized from the corporate level into individual divisions or business units. Such decentralization may have been accompanied by changes in the mission for internal communications. Sixty percent of the firms in which responsibility for employee communications is **decentralized or shared** with divisions or business units reported a recent change in their function's mission. Only 40 percent of the companies that **centralize** communications at the corporate level altered this mission.

Table 1: Companies Report Major Internal Changes

		Type of Change					
	No. of Companies	*Major Corporate Restructuring*	*Substantial Staff Reductions*	*Mergers and Acquisitions*	*Headquarters Relocation*	*Changes in Compensation/ Benefits*	*Other*
INDUSTRY GROUPS							
Manufacturing	137	67%	55%	40%	13%	69%	28%
Durable goods	75	69	61	32	8	68	35
Nondurable goods	62	64	47	50	19	71	21
Service	144	67	40	46	12	74	26
Utilities	53	62	45	26	11	66	40
Financial services	64	72	31	59	11	81	11
Nonfinancial services	27	63	48	55	18	70	33
All companies	281	67	47	43	13	71	27

Table 2: Altered Mission for Employee Communications

		Current Mission		
	No. of Companies	*Very Different*	*Somewhat Different*	*Little or No Difference*
INDUSTRY GROUPS				
Manufacturing	132	14%	45%	40%
Durable goods	70	17	50	33
Nondurable goods	62	11	40	48
Service	131	15	30	55
Utilities	50	14	30	56
Financial services	59	19	22	59
Nonfinancial services	22	9	50	41
All companies	263	15	38	47

Some respondents indicated that they have moved toward a tighter statement, i.e., more focused on business-related messages or that their approach to communication is more "structured." Others pointed out that internal communications is now more central to the implementation of top management's strategies. Several executives said the current mission statement for internal communications is the first. A handful of companies linked their altered mission to the expansion or diversification of their audience; a few noted that their mission was curtailed as a result of cutbacks or merger and acquisition activity (see Box on p. 4).

Overall, respondents indicate that changes in the business environment and their mission have made the role of employee communications more important within their companies. Paradoxically, in interviews and in the open-ended survey comments, many executives hasten to add that they are now "doing more with less."

From Mission to Message: Top Management's Priorities

In the past, morale building might have justified at least a modest investment in employee communications. Practitioners jest about publications built around "brides, babies, and bowling scores." Critics of employee publications point

Why Change?

Communicators offer these reasons for recent shifts in the mission for their function:

Industry	
Utility	"We now have a much tighter linkage with with corporate business goals." "Our statement varies little, but in reality, we are becoming more of an advisor and consultant than just a publications operation."
Electronics	"We have become more focused on the business environment, company programs, 'the war we are fighting'."
Transportation	"We have moved from a 'happy news,' quarterly magazine to a monthly newspaper format to stress immediacy and importance..."
Insurance	"Our communications are more oriented toward company goals and product information—less toward human interest stories."
Automotive	"We are placing greater emphasis on communications to managers."
Chemical	"We are placing more emphasis on developing positive attitudes and a 'quality' culture."
Banking	"Our company did not exist in its current form three years ago. We have increased our emphasis on employee communications due to a merger."
Petroleum	"We have dramatically increased our emphasis on productivity improvement in recent years due to work force reduction."

to a tendency of some editors to concentrate on "trivia"—playing it safe by printing news and stories on employee milestones, hobbies and the like instead of addressing business-related issues. Survey responses suggest that top executives still expect publications to promote goodwill and build morale—but today's leaders also expect a whole lot more.

High Priority Messages

Chart 1 shows how communications executives rate a range of internal messages by level of importance to top management. The executives believe that all of the listed messages are at least moderately important to their leaders.

Overall, communicators in almost three quarters of the companies reported that "improving morale and fostering goodwill" continues to be a high priority. One communications executive alluded to the challenge of "...maintaining employee loyalty, morale and productivity in the face of cost-containment measures that were triggered by inconsistent corporate performance and that resulted in staff reductions." Another executive noted: "Major changes have resulted in anxiety and some cynicism among employees. Maintaining credibility has been an ongoing challenge."

Eight out of ten of the surveyed executives assigned informing employees about internal change (ranging from alterations in corporate strategy to staff promotions) a high priority with top management. Companies having more than $2.5 billion in sales or assets gave such messages an even higher rating than do smaller firms.[2] At least two-thirds of the companies surveyed reported that top management also considers information about the organization, changes in its "culture" and its products a high priority for employee communications.

Among other internal shifts, 70 percent of the firms reported a recent major change in employee benefit plans. About the same proportion said that explanations of both compensation and benefits are near the top of their list of messages to employees.

But being informative is clearly only part of the job—communicators indicated that top management also wants their help in changing employee behavior. Leaders in three-quarters of the firms assigned a high priority to developing productive, quality-oriented employees. Despite a recent surge in rhetoric about promoting entrepreneurial behavior among employees, less than half of the respondents believe that their leaders place a high priority on using employee communications toward this goal.

A communicator in a consumer products firm offers one explanation for the apparent lack of interest: "In this company, such messages are the responsibility of idividual divisions, not part of corporate communications." The executive noted that some divisions have displayed "too much" entrepreneurial activity, and must now focus on business planning and profits, while others need to encourage employees to think more creatively about developing new markets and products.

Firms in some industries place a high priority on most issues listed. For example, a recently deregulated industry, utilities, gave high ratings to 9 out of 13 items. (See Table 3 on p. 6.) Communicators in these companies speak of being challenged to help employees adapt to a new corporate culture, one that puts more emphasis on marketing, and to educate employees about their industry's more competitive environment.

Less Pressing Issues

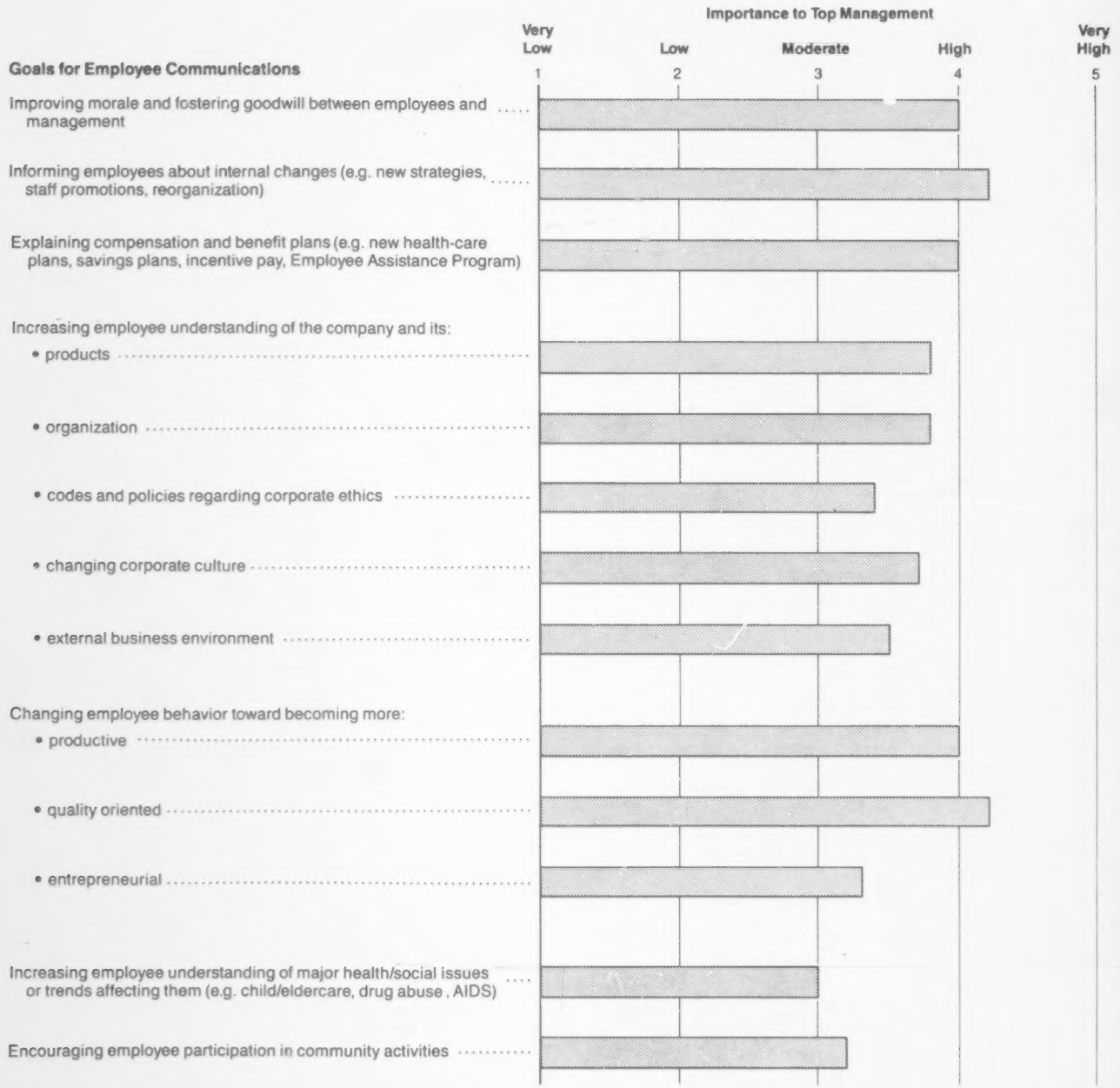
Although none is considered unimportant, some messages have less priority. Helping employees understand the external business environment and corporate policies relating to

[2]Financial service companies are ranked by asset size; transportation and utilities companies are ranked by operating revenues; and firms in all other industries are ranked by sales.

Chart 1:

Employee Communicators Assess Top Management's Priorities

(281 Respondents)


Importance to Top Management
Very Low
Low
Moderate
High
Very High
1
2
3
4
5
Goals for Employee Communications
Improving morale and fostering goodwill between employees and management
Informing employees about internal changes (e.g. new strategies, staff promotions, reorganization)
Explaining compensation and benefit plans (e.g. new health-care plans, savings plans, incentive pay, Employee Assistance Program)
Increasing employee understanding of the company and its:
• products
• organization
• codes and policies regarding corporate ethics
• changing corporate culture
• external business environment
Changing employee behavior toward becoming more:
• productive
• quality oriented
• entrepreneurial
Increasing employee understanding of major health/social issues or trends affecting them (e.g. child/eldercare, drug abuse, AIDS)
Encouraging employee participation in community activities

ethical behavior were rated moderately important by most participants, along with encouraging participation in community activities. Of course, average ratings such as those shown in Table 3 mask the fact that particular industries may consider such messages "very important."

For example, better employee understanding of the external business environment is considered a high priority message among almost 40 percent of the utilities firms studied. About a third of durable goods' producers and a quarter of the survey firms in utilities and financial services other than banking place improved employee understanding of codes or policies on corporate ethics near the top of their agenda. Almost a quarter of the surveyed banks and of nondurable goods' firms consider using internal commu-

Table 3: Employee Communicators Assess Top Managements' Rating of Key Goals
(by level of importance – average rating*)

	Industry Groups						
		Manufacturing		Service			
					Financial		
	All Companies	Durable Goods	Nondurable Goods	Utilities	Banking	Insurance and Other	Nonfinancial Service
	(281)	(75)	(62)	(53)	(34)	(30)	(27)
GOALS FOR EMPLOYEE COMMUNICATIONS							
Improving morale and fostering goodwill between employees and management	4.0	4.1	4.1	4.0	3.9	4.0	4.0
Informing employees about internal changes (e.g. new strategies, staff promotions, reorganization)	4.2	4.1	4.3	4.1	4.3	4.2	4.2
Explaining compensation and benefit plans (e.g. new health-care plans, savings plans, incentive pay, Employee Assistance Program)	4.0	4.0	4.0	4.0	4.3	4.4	3.7
Increasing employee understanding of the company and its:							
—products	3.8	3.7	3.9	4.0	3.8	3.6	3.7
—organization	3.8	3.8	3.9	4.0	3.9	3.7	3.8
—codes and policies regarding corporate ethics	3.4	3.5	3.5	3.5	3.3	3.5	3.2
—changing corporate culture	3.7	3.7	3.7	4.0	3.7	3.5	3.2
—external business environment	3.5	3.6	3.4	4.0	3.1	3.1	3.2
Changing employee behavior toward becoming more:							
—productive	4.0	4.1	4.1	4.1	3.8	3.8	3.8
—quality oriented	4.2	4.4	4.0	4.0	4.3	3.8	4.1
—entrepreneurial	3.3	3.4	3.4	3.3	3.4	3.2	2.8
Increasing employee understanding of major health/social issues or trends affecting them (e.g. child/eldercare, drug abuse, AIDS)	3.0	2.7	3.1	3.1	2.9	3.5	2.6
Encouraging employee participation in community activities	3.2	2.9	3.6	3.7	3.4	3.1	2.6

*Rated on a scale of 1 to 5, with 5 = high; 1 = low

nications to foster entrepreneurial behavior in employees very important.

Messages about health and social issues received the lowest ratings overall. But in interviews, communications executives indicate that health-related articles are a staple in a least one of their employee periodicals. AIDS or smoking in the workplace might be an unlikely topic for a general interest article, executives explain, but would be included if specific company policies were developed to address these concerns.

Looking ahead, communications executives expect that messages now given top priority will retain their importance over the next few years. About 15 percent of survey respondents expect to reduce their emphasis on messages about corporate ethics, entrepreneurial activity and community participation.

How Communicators are Coping With Today's Challenges

While working to deliver top management's message, communicators have been wrestling with an array of professional and personal trials. Asked to comment on their greatest challenge in the 1984-1987 period, 258 professionals offered a wide range of experiences. Some of their problems are the result of major shifts in employee and management expectations. "The corporation as the family is dead," comments

a chemical company executive. "There are a lot of changes in our corporate culture. People are working harder than they ever have in their lives; it is becoming more difficult to hide unqualified people."

About a third of the comments revolve around the struggle to develop messages that will have an impact on employees. Problems have arisen from shifts in employee expectations, structural dislocations resulting from mergers and acquisitions, job losses, or the atmosphere of anxiety engendered by hostile-takeover threats. Communicators report that they are making greater efforts to shore up employee morale, improve attitudes (or help develop new ones) and try to restore trust in corporate management. For example, a banking executive describes the challenge of "merging two comparably sized organizations with very different cultures into a cohesive whole" while trying to "retain and motivate the best achievers in the acquired company."

Changes in the employee population and employee demographics mean that many communicators must stretch to reach a more diverse, geographically dispersed group of employees. "We're trying to bring more than 20,000 employees at 40 locations together as a team," says a communicator in a durable goods' firm. The presence of the better-educated baby boom generation in the workforce is having an impact. An executive in a forest products firm comments, "People are smarter today; they want to know more about the company and where it is going." A chemical company executive concurs: Employees "...let you know that they want to be taken more seriously. They are interested in what is going on and want to hear it from official, senior sources, not just through the grapevine."

About a quarter of the executives reported that their toughest challenge has been simply keeping up with the news they want to communicate to employees. "We have had a constantly changing organization because of acquisition and divestiture, staff reductions and budgeting constraints", comments a manufacturer. "Massive changes in structure and business strategy required a great deal of communication", said another.

Over thirty percent of the survey respondents have been preoccupied with the status of their function and the degree of internal recognition it receives; some are worried about the survival of their program. Said a utility executive: "We need to gain the support and understanding of line managers for employee communications. They are a key link in our program." A chemical company executive commented: "We are trying to sustain a quality communications program with reduced financial and human resources."

Ten percent of the participants mentioned an assortment of other challenges, such as making employees aware of shifts in the external business environment, focusing increased employee attention on new corporate strategies and objectives, and developing ways to gather employee feedback and promote two-way communication.

Chapter 2

Organizing, Planning and Staffing for Employee Communications

In many corporate "mission" or "values" statements employees are described as the firm's most important resource (see Exhibit 1). Corporate communicators often use this premise as a foundation for their activities. For example, Digital Equipment Corporation's communications policy overview states:

> "Digital believes that helping employees to understand the company's business and philosophies is a key way of creating a more motivated and productive workforce. Employees at all levels have responsibility for seeking and providing information about the business. The immediate manager or supervisor is considered the primary communication link in the company for this information."

The recognition that an effective communications program requires both management and employee participation has led some firms to detail how supervisors should inititate and facilitate communication. In many major companies, executives in one or more corporate departments are assigned specific responsiblity for developing and implementing formal employee communications programs that support corporate objectives. This chapter describes how these executives plan for and organize such activities.

Placing Responsibility For Employee Communications

Findings from a recent Conference Board survey of 300 major corporations show that 60 percent of the firms place responsibility for employee communications in the "public affairs area."[1] Thus, for purposes of formal communication, most large companies appear to group their employees with external corporate constituencies. Accordingly, the major sources of data for this study are executives with responsiblities in the areas of "corporate communications," "public relations" and "public affairs." In the text, this group is generally referred to as "corporate communications executives."

As Table 4 illustrates, responsibilities of surveyed corporate communications and human resources executives often overlap. In general, corporate communicators are accountable for two major categories of print materials—employee periodicals and management letters and bulletins. These executives are also involved in the preparation of audio visual communiques as well as resource materials for telephone hotlines and computer-based programs, when such technologies are used.

Executives in the personnel or human resources function retain primary responsiblity for other major, but specialized, types of employee communications. These include salary and benefit materials, bulletin board programs and—where used—payroll inserts. Employee orientation materials are also more likely to be within the purview of the human resources area, although in many companies the communications executive takes on the responsibility for producing these materials.

Titles and Reporting Relationships

In just over a third of the cases reported in this study, the person who has primary managerial responsibility for employee communications has a title of vice president or above. The title of assistant vice president or director accounts for nearly another third of the cases; manager or supervisor is the title in about 30 percent of the cases. Editors, specialists and other titles account for the remainder. In two-thirds of the cases, executives surveyed for this report listed "communications" or "public relations" as the functional area. "Public or corporate affairs" was the choice in 15 percent of the cases, and "Human Resources or Personnel" in another 13 percent (Chart 2).

The employee communications executive reports to a top officer such as the CEO or president in almost a quarter of the cases. An executive with a vice-president's title oversees the employee communications executive in more than half of the cases reported. In only 7 percent does this function report to someone with a title below the level of director. When the person who **supervises** the employee communications executive administers a specific functional area, it is most often communications, public relations or public affairs. But it may also be human resources or one of several other areas, such as corporate administration. See Charts 3 A and B for alternate organizational patterns for the employee communications function.

[1] See Seymour Lusterman, *The Organization and Staffing of Corporate Public Affairs*, The Conference Board, Report No. 894, 1987.

Exhibit 1

Excerpts from Corporate Statements On Role of Employees

National Westminster Bank USA

THE STATEMENT OF VALUES

OURSELVES

We, the employees, are the strength of the Bank and the source of its character. We work together to foster an open environment where trust and caring prevail. Pride and enjoyment come from commitment, leadership by example and accomplishment. We encourage personal growth and ensure opportunity based upon performance.

We recognize our individual responsibility to uphold these values, and in turn to enhance the Bank's reputation which is rooted in integrity, achievement and quality.

BAUSCH & LOMB

A PARTNERSHIP WITH EMPLOYEES

Bausch & Lomb's employees are the company's most important corporate resource. Their efforts produce more than products and services—they produce the company's success and lead it toward the future. The company and its employees have a partnership which must continually be reaffirmed.

The Company's Commitment

The company understands that every employee's contribution is valuable, and sees importance in attracting, encouraging and keeping productive and innovative people. Thus, it has a commitment:

- To help all employees reach their full potential by providing job opportunities and salary advancement on the basis of merit, without bias or discrimination of any kind.
- To encourage creativity and initiative, by providing an environment for employees to develop their skills and abilities.
- To recognize their individual achievements.

THE VALUES WE SHARE

- To compensate employees fairly.
- To recognize employee concerns for employment continuity and thus make layoffs and position elimination measures of last resort, and
- To join with employees to make Bausch & Lomb a safe, healthy place to work.

Each Employee's Commitment

In turn, each Bausch & Lomb employee must reaffirm that mutual commitment and partnership by:

- Upholding high standards of personal conduct at work.
- Carrying out his or her responsibilities in the best possible manner.
- Contributing ideas and suggestions for continually seeking a better way to improve the company, its products and its work methods.
- Treating his or her fellow employees with respect and dignity.
- Supporting Bausch & Lomb's good image in the community, and
- Showing sensitivity to the needs of our customers at all times.

DANA

POLICIES

PEOPLE

We are dedicated to the belief that our people are our most important asset. Wherever possible, we encourage all Dana people within the entire world organization to become shareholders, or by some other means, own a part of their company.

We believe people respond to recognition, freedom to participate, and the opportunity to develop.

We believe that people should be involved in setting their own goals and judging their own performance. The people who know best how the job should be done are the ones doing it.

We believe Dana people should accept only total quality in all tasks they perform.

We endorse productivity plans which allow people to share in the rewards of productivity gains.

We believe that all Dana people should identify with the company. This identity should carry on after they have left active employment.

We believe facilities with people who have demonstrated a commitment to Dana will be competitive and thus warrant our support.

We believe that wages and benefits are the concern and responsibility of managers. The Management Resource Program is a worldwide matter — it is a tool that should be used in the development of qualified Dana people. We encourage income protection, health programs, and education.

We believe that on-the-job training is an effective method of learning. A Dana manager must prove proficiency in at least one line of our company's work — marketing, engineering, manufacturing, financial services, etc. Additionally, these people must prove their ability as supervisors and be able to get work done through other people. We recognize the importance of gaining experience both internationally and domestically.

We believe our people should move across product, discipline, and organizational lines. These moves should not conflict with operating efficiency.

We believe in promoting from within. Dana people interested in other positions are encouraged to discuss job opportunities with their supervisor.

Managers are responsible for the selection, education and training of all people.

All Dana people should have their job performance reviewed at least once a year by their supervisors.

We believe in providing programs to support the Dana Style. We encourage professional and personal development of all Dana people.

Table 4: Shared Responsibility for Employee Communications

	No. of Companies	*Handled by Communications*	*Handled by Human Resources*
Printed Materials			
Employee magazines/periodicals	274	90%	10%
Management letters/bulletins	270	82	31
Bulletin board programs/postings	255	30	62
Payroll inserts	196	37	79
Orientation materials	275	50	94
Salary/benefit materials	276	20	94
Other printed materials	118	77	30
Nonprint Communications			
Audiovisual	268	87	37
Computer-based materials	106	54	21*
Telephone hotlines	106	59	41
Small-group meetings	223	56	64

*The computer department and various other functions were also mentioned by about 40 companies.

Note: Percentages may add up to more than 100 in cases where both departments have a role (i.e., one initiates, the other produces).

Corporate Communications and Human Resources: Enmity or Collaboration?

Whether part of a corporate communications or human resources function, executives interviewed for this study agree that they have a commonality of interests and that things work better when these functions cooperate. Yet several practitioners acknowledged that "we are probably not as close as we should be," and one executive noted: "Yes, we work together. But you might call it hand and fist."

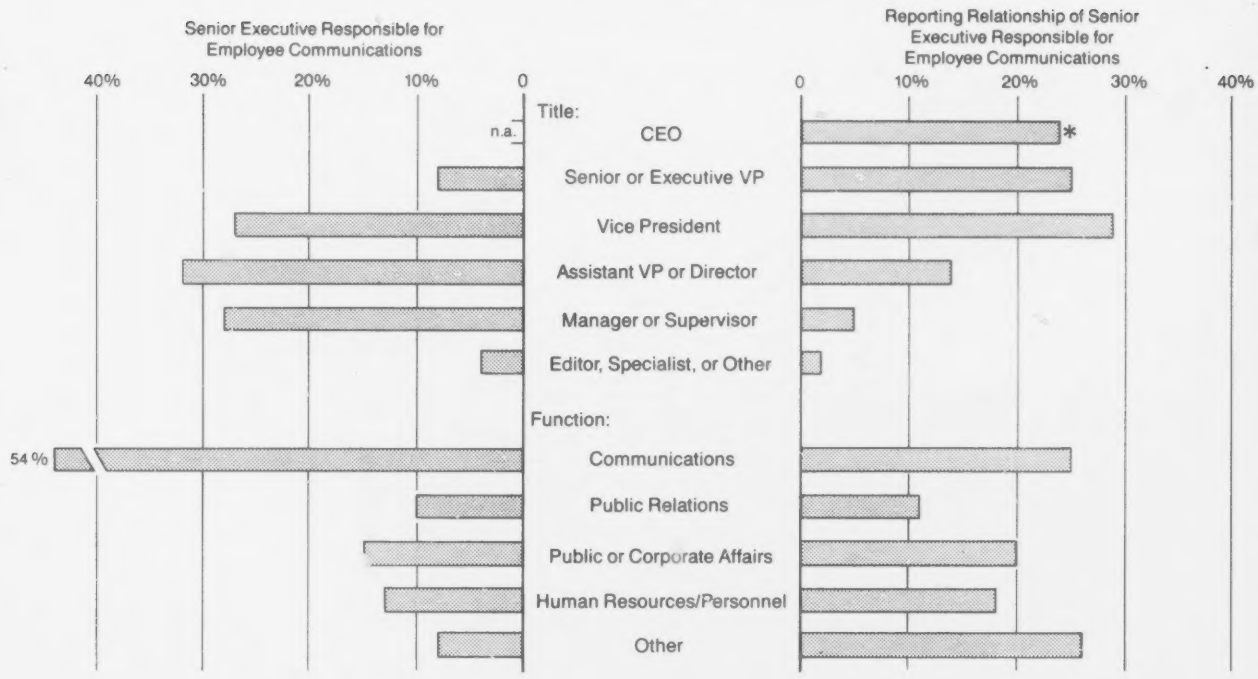
Some executives explain the apparent rift in terms of personality clashes between the top managers in the two areas. Others trace it to jurisdictional disputes, especially in cases where responsibility for a whole category of materials, e.g., employee periodicals or all audiovisual materials, was transferred from one function to the other. Some communicators point out that human resources executives are usually responsible for informing employees about highly technical matters—such as salary structure and benefit plans. They suggest that such areas are best left to internal specialists—or to an outside consultant.

Despite the rifts in some companies, many firms describe cooperative activities that offer a broad range of options:

- Keeping employee communications within the jurisdiction of human resources. At Pfizer Inc., the employee communication unit reports to the Corporate Vice President, Personnel. The location of the function within Personnel has a long history in the company where "internal communication is viewed as one aspect of managing employee relations and building employee commitment," says the Director, Employee Communication.
- The Coca-Cola Company also links employee communications and employee relations. The Director of these activities reports to the Senior Vice President, Human Resources. However, the employee magazine and some internal memos are produced by a separate communications function. The two groups maintain an informal relationship, talking and interacting frequently, especially about top-management communiques. Moreover, the Director of Employee Relations and Communications is a member of the editorial board for the employee magazine.
- Although part of separate functions, interaction between human resources and corporate communications is "a natural situation in our company," says the Director, Corporate Communications at Cox Enterprises. "We work together with human resources people on most of their communications needs—they know that we won't issue something without checking with them and they trust us to help make their communications effective."
- At Bell South Corporation, human resources and employee communications "are two different organizations, but work closely together," says the Operations Manager, Public Relations. Most joint activities focus on labor relations or benefits. Messages targeted to the entire employee population must go through the communications function. The two groups cooperate to ensure that their portrayal of the company is consistent.

Chart 2:

Titles, Functions, and Reporting Relationship



* In some companies, responsibility for employee communications is shared by two or more departments. Thus, percentages are based on 360 responses, except for the (•) section, which is based on 235 responses.

One recent communications priority was to promote the firm's newly-developed statement of values. Says the public relations executive: "Communications has the responsibility to inform the employees about the values and to encourage their adherence. Human resources has the responsibility to cultivate and maintain a corporate culture that encourages the type of activities that support these values."

Even those communications executives who report that the two functions "go their separate ways" say that stories that support human resources initiatives are a staple in the employee periodical—the executives collaborate on an ad hoc, if not a continuing basis.

Beyond the Corporate Level Function

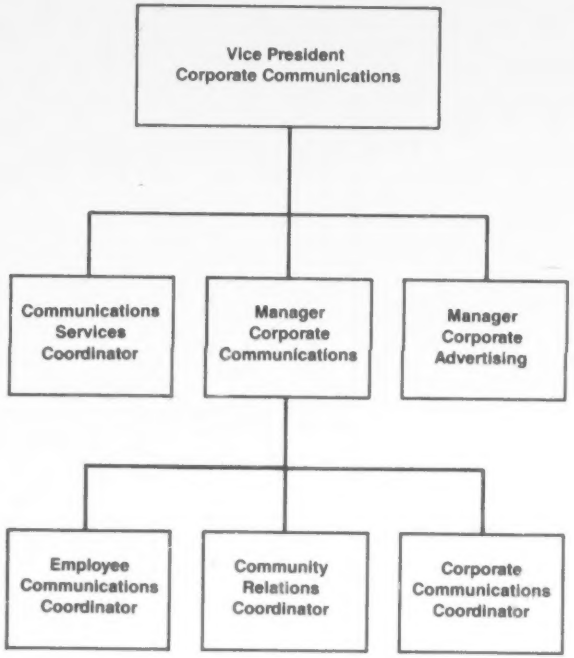
The responsibility for employee communications is not only apportioned between executives in corporate communications and corporate human resources: Many firms also expect major divisions or business units to carry part of the responsibility (see Box on p. 14). Only 8 percent of the companies surveyed reported that their employee communications activities are totally decentralized. But almost half indicated that responsibility for employee communications is shared by corporate and divisional or business unit executives. By industry segment, 40 percent of the service firms and 73 percent of the manufacturers reported shared or decentralized responsibilities.

The organizational trend is expected to move toward more decentralization and sharing of responsibilities. While forty percent of the surveyed firms currently centralize responsibility for employee communications at the corporate level, only a third expect this to be the case in the near future. Eighty percent of the manufacturers plan to move toward a shared or decentralized model is the next few years, as will 47 percent of the service firms.

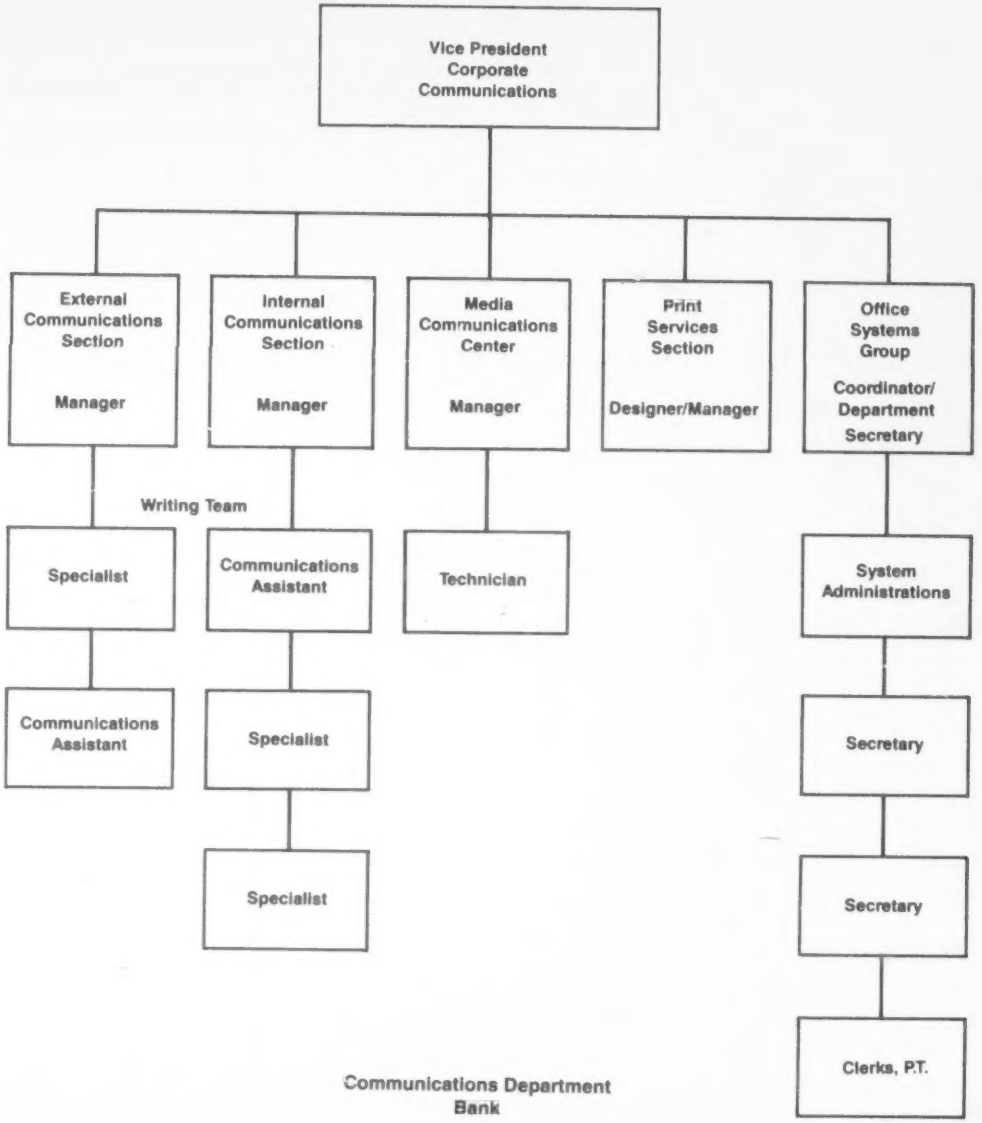
In those instances in which responsibilities are shared or are decentralized, corporate communications executives in almost nine out of ten firms are involved in consulting with or otherwise advising and assisting their colleagues. Forty percent of the executives help to train their colleagues in non-corporate units, and about a quarter help to coordinate activities or review the plans of such units. Communicators in some industries (e.g., utilities) are more likely to pursue these activities than are those in other industries (Table 5). Only about two in ten corporate-level executives report that they review the performance of communicators in non-corporate units.

Chart 3A:

Employee Communications As Part of Communications Department



Communications Department
Manufacturer

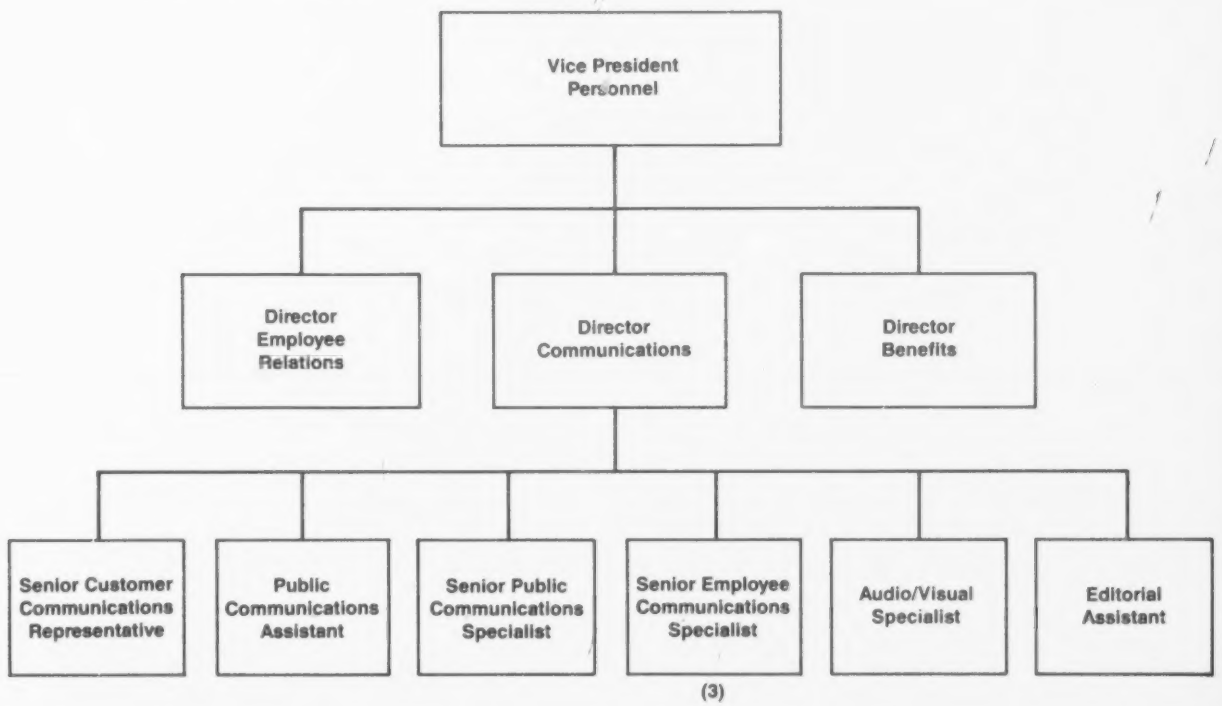


Communications Department
Bank

Chart 3B:

Employee Communications As Part of Another Department

Communications Combined with Labor Relations—Manufacturer



(3)

Commuications is Part of Personnel—Retailer

Internal Coordination

Good relationships with staff and line executives can be crucial to the success of an employee communications program. Only about 15 percent of the respondents indicated that their firms have a management committee that provides guidance or oversight for their function. In interviews, however, many said that it is a common practice to include representatives from a variety of functions on the editorial board of the corporate periodical.

On a day-to-day basis, practitioners report that they are in touch with executives in many areas of the company, as they develop features and news items for company magazines and newsletters/papers. About a third of the respondents reported that most of the information about locations, divisions, or business units published in their periodicals is generated by the publications staff. Two-thirds say that items are both generated by the publications staff and culled from suggestions made by others throughout the company.

Some companies maintain a network of correspondents in locations outside the corporate office, and others have an ongoing relationship with the editors of newsletters at other locations. Many companies bring these editors or correspondents to headquarters for planning and/or training sessions on at least an annual basis. For example, Pfizer gathers the 30 editors of its internal publications together in an annual workshop devoted to training, sharing and recognition (awards). During the workshop, they meet with the company's CEO in a kind of informal "press conference" and hear from other senior executives as well. "They return home not only with sharpened skills, but with material to report in their newsletters," says Pfizer's Director, Employee Communication.

Centralizing Employee Communications

There are probably few companies that can claim total centralization of employee communications. The larger the size of the employee population, the less the likelihood that a corporation will centralize responsiblity for employee communications at the corporate level (Table 6). Even when corporate level executives retain control of most formal internal communications however, plant locations, business units, or divisions rarely suspend all efforts—informal newsletters often abound. For example:

- Anheuser-Busch Companies shares its headquarters location with Anheuser-Busch Inc., its major subsidiary, and most of its 13 smaller subsidiaries. These subsidiaries have a number of plants and offices that are scattered geographically. In addition to a periodical that goes to all employees, communicators at the corporate level produce a newsletter for the 6,000 people in the headquarters complex. None of the smaller subsidiaries has its own internal communicator, but several do produce a newsletter with a local focus that also contains key information supplied by the corporate office. Headquarters also provides a graphics and editor's manual.
- At General American Life, an insurer, the communications department functions as an in-house agency with multiple internal "clients" in all of the operating units of the company. The Director of Corporate Communications meets with potential clients each fall to discuss problems and needs, then prepares a proposal to help the units meet their objectives with internal and external audiences. Corporate communications has control over a plan and budget that is developed from these proposals and relevant costs are charged back to client departments. Several employee periodicals, one for hourly employees, two for managers and six for employees in specific functions are developed by corporate staff as are a range of audiovisual materials. Despite this generally centralized arrangement, operating units also prepare some employee communications materials for their own use.

Taking a Decentralized Approach

While few companies appear to achieve a totally centralized approach to internal communications, several interviewed executives claim to have achieved almost complete decentralization:

- Emerson Electric Company has 50 separate units that share a tradition of autonomous operation. There is no communications function at the corporate level; anything of a "communications" nature is part of the ongoing human resources process. (There is a Human Resources function at the corporate level, that is a staff service for all divisions.) The corporate human resources function provides a book of "Emerson Communications Techniques" which outlines and suggests formats for different types of communications. Occasionally, statements of policy and procedure are issued by various, functional, corporate level executives.
- SunTrust, a regional bank holding company for 53 banks in three states, also limits the number of employee communications issued from the top corporate level. But as the need arises, management letters are used to announce changes in benefits or other events that have company-wide significance. One recent communique, a new vision statement for the corporation, was distributed to all employees. Major units of the company, such as Trust Company of Georgia, have their own employee publication.

Shared Responsibilities

When corporate communications executives share responsibility for internal communications with other units, the corporate role is often to "deal only with areas that are legitimate company-wide interests," according to the Director of Communications at Contel, a telecommunications company. At

Table 5: Role of Corporate-Level Communicator in Employee Communications at Divisions or Business Units*

	Provide Advice/ Assistance	*Review Plans*	*Coordinate Activities*	*Provide Training*	*Review Performance*
INDUSTRY GROUPS					
Manufacturing	88%	26%	30%	44%	15%
Durable goods	91	25	29	53	18
Nondurable goods	85	27	31	33	12
Service	83	23	32	33	21
Utilities	86	24	52	52	19
Financial services	86	17	19	14	24
Nonfinancial services	75	31	25	44	19
All companies	86	25	31	40	18

*Table based on responses from 169 companies in which responsibility for employee communications is decentralized or shared between corporate and divisions or business units. Percentages do not add to 100% due to multiple responses.

Contel, the corporate function produces a quarterly magazine and a video news show, but several regional operations have their own newsletter and some produce a video magazine. Several other companies describe a similar arrangement. The corporate level issues a periodical (and sometimes an audiovisual communique) that is distributed company-wide, is responsible for internal communications at the headquarters location, and often monitors the "style" of communications produced at other locations, especially use of the company logo and related graphics.

Major divisions or units of a corporation may further subdivide responsibility for internal communications. At Southwestern Bell Telephone, a major subsidiary of Southwestern Bell Corporation, the public relations executive at the headquarters location originates and/or clears communications that go to all employees. However, several of the telephone company's state-level offices publish their own newsletter and other internal communiques that are distributed only within their own group.

Establishing A Policy

Several of the executives interviewed reported that their companies have a set of "agreed upon" practices that govern employee communications. Survey data indicate that development of written policy statements is a less-than-universal practice—little more than a third of the companies polled have such statements (Table 7).

In its "Managers' Employee Communication Plan and Program Guidelines," Digital Equipment Corporation outlines a set of specific mangagement responsibilities. These include:

- "creating a process for communication and maintaining appropriate employee communication channels...;
- communicating business information and departmental goals;
- ensuring that Digital's Open Door Policy is understood and used without fear of reprisal;[1] and
- holding regularly scheduled meetings."

Table 6: Centralized and Decentralized Employee Communications Functions
(by size of employee population)

Total No. of Employees	*No. of Companies*	*Employee Communications Responsibilities are: Centralized at Corporate Level*	*Shared or Decentralized*	*Other*
Under 3,000	46	61%	37%	2%
3,000 to 10,000	71	52	39	8
10,000 to 30,000	71	41	58	1
30,000 or more	68	10	87	3
All companies	256	39	57	4

In 1983, Managers were provided with a set of program guidelines, including suggested communications vehicles, and were reminded that "successful and effective completion" of employee communication goals "will be assesed."

Employee communications' policies vary in their content and length. The policy of Graco Inc. delineates policy objectives and specific management responsibilities, including

[1] In general, such a policy means that employees have the right to appeal actions of those who supervise them. Starting with their immediate supervisor, employees may seek resoulution to a work-related problem at progressively higher levels of management.

who has authority to release information to employees. Transamerica Corporation provides its managers with a succinct, one page statement of policies and procedures and Hewlett-Packard Company provides executives outside the corporate office with a one page reminder of resources available to them. (See Exhibit 2).

Employee Communications Plans

Although written policy statements are not a widespread practice, planning is. Three quarters of the communicators reported that they prepare an annual plan for employee communications activities. Executives in most of the 203 surveyed companies that develop plans indicated that their plan is integrated into the annual corporate plan. In about a quarter of the companies, the plan provides guidance for departmental activities but is not formally a part of the annual corporate plan.

The Planning Process

As Table 7 shows, 80 percent of surveyed utility companies prepare an annual communications plan. In interviews, practitioners in this industry reported that top executives provide broad general guidelines as a first step in a "bottom up" process: In brief, communications managers consult the supervisors who report to them for suggestions about how to support corporate goals and combine these with their own insights to frame a preliminary set of internal communications objectives. In concert with the vice president for their area, the managers then develop functional goals that are folded into the corporation's annual plan.

Whatever the industry, several practitioners say that the corporate planning process starts with an annual planning conference. Top executives from all of the firm's major divisions or business units meet to discuss the "state of the business" and to establish priorities for the upcoming year. They then return to their own jurisdictions to run similar meetings, until the planning process "cascades down through the organization," in the words of one communications executive. Based upon guidance from the top, internal communicators at the corporate level gear their annual objectives to messages with a broad corporate thrust, while those in divisions dovetail their objectives to messages that are pertinent to that organizational level.

Executives in several companies reported that internal communications executives have their own annual meeting. Most often, these are "show and tell" sessions in which professionals from the corporate office and each of the major units present and discuss their plans for the upcoming year. In interviews, some corporate level communications executives say they are attempting to make these meetings more productive by encouraging more interaction and by using part of the time for training.

The Planning Document

Several survey participants provided copies of their annual planning documents. The formats vary widely, but essentially contain these major elements:

- A statement of the department's mission
- A situation analysis, highlighting significant factors in the company's internal and external environment
- A set of department objectives for the year keyed (specifically or by implication) to major corporate objectives
- A set of strategies to support each objective

The environmental factors listed in the plans closely parallel comments made by many survey participants about recent challenges they have faced (see page 7). Among the external challenges are changes in the regulatory environment for particular industries, increased competition, the

Table 7: Preparation of Written Policies and Annual Plans
(by industry group)

	No. of Companies	*Have Written Policy*	*No. of Companies*	*Have Annual Plan*
INDUSTRY GROUPS				
Manufacturing	134	39%	132	73%
Durable goods	75	43	73	74
Nondurable goods	59	34	59	71
Service	141	35	142	75
Utilities	52	48	53	81
Financial services	62	29	62	73
Nonfinancial services	27	22	27	70
All companies	275	37	274	74

Exhibit 2

Hewlett-Packard

Getting the word out...

Open and timely communication between people has been one of the major elements in maintaining the working philosophy and environment of Hewlett-Packard throughout the years. In the face of growing company size and complexity, as well as the increasing burden of government-mandated messages, more and more responsibility for that communication must be assumed by the local division, region and country organizations.

The Corporate Public Relations department provides a number of services to support that effort, in addition to some specific communications:

Measure—Since 1963, the companywide employee magazine has provided a broad view of HP, now in a 24-page, bimonthly format. Measure is mailed to the homes of all HP's U.S. employees and is shipped in bulk to HP employees outside the U.S.

Newsgrams—A timely service sending fast-breaking company news to HP employees throughout the world. Released via in-house electronic mail, Newsgrams are often posted on bulletin boards and reprinted in local publications.

HP VideoMagazine—Six times a year HP employees around the world see a 13-minute videotape showing the company's objectives in action. The feature-oriented program got its start in February 1984 with help from the HP TV Network.

Information Line—Articles and advisories sent electronically to division, region and country communicators. Stories are of widespread interest and are usually longer and more in-depth than Newsgrams. Most articles are reprinted in local employee publications.

FYI—HP's top managers stay informed of government legislation, changes in HP policies, new company programs and significant public issues through this newsletter. Published 10 times per year and distributed to 1,000-plus general and functional managers in the company.

HP Communicator—An electronic newsletter for division, region and other HP communicators that presents a variety of comments on editorial techniques, notable examples of work, critiques and story ideas for publications. Its purpose is to help communicators improve their skills and their publications.

Communication workshops—Each year the PR department conducts seminars on how to improve local communication programs and produce top-notch publications. Outside professionals, PR department staff members and local communicators present timely information designed to help

Communicators' Resource Manual—A looseleaf notebook that reviews policies, practices and supporting services for HP communicators. The manual covers such topics as starting a new publication, working with Corporate PR and working with other HP communicators.

Publication evaluation service—An optional evaluation service offered to communicators by Corporate PR staff members. A personalized evaluation form describes the strong points of the publication and offers concrete suggestions for improvement in other areas.

Communication planning and evaluation—A service for the communicator or manager who wants to improve or develop a comprehensive communication program. Corporate PR staff members will review business goals, help determine appropriate communication objectives for local audiences (employees, community and local press) and recommend staffing for the program.

Communication staffing—Through worldwide professional contacts, the Corporate PR staff will help locate candidates for communication job openings. Staff members will assist local managers evaluate communication skills and will take part in the interviewing and selection process.

Graphics consultation—A service for the communicator who wants to improve an existing publication's design, photography or use of color, or who wants guidance in formatting and designing a new publication.

For more information about any of these services, please contact:

Hewlett-Packard Company
Public Relations Department, 20-BR
3000 Hanover Street
PO Box 10301
Palo Alto, California 94303-0890
Telephone: (415) 857-4819

Graco Inc.
Employee Communication Policy

Authority for release of information to Employees:

A. Most information regarding a single plant, office or location can be released to employees on clearance by the manager (or a designated alternate) in charge. This includes topics such as new personnel, promotions, transfers, service anniversaries, retirements, safety or similar awards or recognition, civic activities by local employees, sports team activities, special meetings, tours and open houses, company-related employee social functions, local administrative or operational announcements, meetings and conferences, contributions and charitable activities.

B. Authorized information regarding Graco as a whole or concerning more than one location will be released with the concurrence of the Corporate Communicaituon Department prior to its release. This includes authorized (previously published) financial information, labor relations activities, modifications or changes in employee benefit programs, corporate opinions on events or conditions, purchase of property of new facilities, production, sales or inventory statistics, overall corporate direction, activities or programs, establishment, closing, or transfer of any company facility, or any information which may be obtained by individuals outside the Company.

need for more product innovation and economic uncertainties.

Statements about internal factors are often buttressed with data from employee surveys, feedback from focus groups and the like. Among the problems pinpointed were employee morale (e.g., "employees feel they are working longer hours but are not sure they see the results in company profits"), the need to help employees adjust to rapid internal growth or changes in the corporate culture, and the company's diminished ability to provide employees with challenging job opportunities and performance incentives. Some plans focus on specific groups of employees, noting jitters in a particular division as a result of change in top management or pointing to the need to bring employees in a newly acquired subsidiary or division into the corporate fold.

Among the objectives in the sample plans are: improving the timeliness of messages to employees; enhancing two-way communication; instilling confidence in a new management team; and eliciting employee support of the corporate strategic plan. Some plans focus on promoting safety in the workplace. Others are targeted at expanding the reach of communications as companies grow and diversify through mergers and acquisitions.

Plan strategies span a wide spectrum: increasing the frequency of the employee periodical; printing more stories with a particular focus, such as safety, quality, productivity; or creating a "letters to the editor" column. While some communicators concentrate on expanding the distribution of existing communiques, others hope to institute electronic-messaging capabilities to reach managers in key company locations (see Box).

Trends In Staffing And Resources

Survey participants report a median staff size of three full-time professionals at the corporate level and one part-time person. But about a third of the service firms and a quarter of the manufacturers have five or more corporate level professionals (Table 8). In some cases, staff has been shifted from another function to employee communications: "A corporate restructuring merged employee communications with public relations. At that time, five professional positions were eliminated. Most public relations responsibilities were cut back and emphasis was placed on employee communications," says an executive of a large retailer.

Over half of the larger companies (those of a financial size of $1 billion or more) have a full-time professional staff of three or more people at the corporate level, compared to less than 40 percent of the smaller firms (those below $1 billion). (See Table 9.) In some firms, current staff size reflects recent efforts to recoup after past staff cuts. As an executive from a major manufacturer noted: "We increased the corporate professional staff by two in 1987 to return to the 1984 level."

Almost half of the 230 companies providing data about staffing trends indicated that staff size has been stable in the past few years; nearly 30 percent said size has increased, and just under a quarter reported decreases. One respondent notes: "We have reduced our staff on the print side (e.g. our newspaper). There is a slight increase in staffing for electronic/video communications. But we are under strong pressure (as is the entire company) to remain flat." About 30 percent of the respondents that decentralize or share responsibility for employee communications with divisions or business units have recently decreased staff size at the corporate level, compared to about 20 percent of those with a centralized structure.

Service firms, especially banks, are more likely to have experienced recent increases in staff size than are manufacturers (Table 10). A communicator from a bank reports this pattern of expansion: "In 1984 we hired a manager of employee communications. Prior to that time, there was a single writer/editor and no function management. We hope to expand the writing staff soon." But a manufacturer reports a pattern of consolidation: "Communications with employees is now a part of each human resources person's job. At the corporate level, we have had no one, defined person or employee communications function since our 1985 reorganization."

The differences between the industry sectors will disappear in the 1988 to 1990 period, if respondents' prognostications are correct. About 20 percent of the firms in both sectors expect increases in staff size, three-quarters believe the staff size will remain about the same and only 4 percent anticipate decreases.

Higher costs for staff salaries as well as for publications and program have recently been the rule at the corporate level in 60 percent of the firms; overhead costs have risen in about half. These trends are expected to continue in the near future.

Non-Headquarters Locations

About 100 respondents were able to provide information about the size of internal communications staffs at locations other than corporate headquarters. The range is broad, but the median is five full time and six part time professionals spread among such locations. Among the 140 participants who provided trend information, roughly 60 percent said that staff size remained the same in the recent past and about a quarter reported recent decreases. At least 70 percent expect little growth in the future, but only 15 percent anticipate future cuts. A third of the firms indicated that overhead costs for employee communications increased recently at non-headquarters locations; approximately 40 percent noted higher costs for staff salaries and publications and program. Roughly the same proportion of respondents expect such costs to continue to rise.

Staff Capabilities

In interviews, top communications executives say that they have few, if any, entry level positions in their department. Rather, they look for professionals with proven track records

Sample Objectives and Strategies From Employee Communications Plans

From a petroleum company:

Objective

Increase face-to-face communication between management and employees.

Strategies

- Conduct semi-annual divisional communicators meetings ings to elicit feedback, exchange ideas, and win support for communications efforts.
- Work with the divisions to utilize existing sales, human resource meetings, etc. as forums for presentations on corporate goals and employee innovation.
- Create a "designated executive" program in which members of corporate management make two speeches per year, not inculding the annual meeting, to employee audiences outside headquarters.
- Create a program of presentations on corporate strategy, division objectives, and human resource development topics to be presented at an annual meeting of key managers.
- Produce and distribute at least two complete communication packages consisting of an audiovisual presentation and guidelines for use by local supervisors.

From a consumer products company:

Objective: Instill confidence in the management, policies, and plans of the corporation in order to improve the productivity and efficiency of employees.

Strategy

Communicate business successes, linking them to underlying strategies. Communicate business news, good and bad. Communicate business problems, why they occurred and plans to solve them.

(Followed by suggested stories and discussion topics for the Chairman's annual meeting with employees.)

From a utility:

Objective: Provide a method for the rapid dissemination of late-breaking news to all company worksites.

Strategy

- Evaluate the success of the current program and revise as indicated.

Activities:

– Meet with field staff and determine their reaction to present system.

– Revise program and distribution arrangements as indicated.

– Work with management systems group to improve the program and stay abreast of latest hardware and software available.

– Consider a daily transmission via existing newswire.

– Consider implementation of a "call up" function that would allow mainframe users to access a regularly updated file containing the latest press releases, etc.

Table 8: Number of Full Time Staff at Corporate Level
(by industry group)

	No. of Companies	*1 or less*	*2*	*3 or 4*	*5 to 10*	*11 or more*
INDUSTRY GROUPS						
Manufacturing	126	19%	31%	25%	21%	4%
Durable goods	67	19	31	25	22	2
Nondurable goods	59	19	30	25	19	7
Service	136	21	21	24	26	7
Utilities	50	12	18	30	36	4
Financial services	62	23	19	27	18	13
Nonfinancial services	24	33	29	4	29	4
All companies	262	20	26	25	24	6

and good management and interpersonal skills. "We still need people who are writers and who know business communications, but today they have to be more—there is much more interaction with other departments. We expect our staff to be able to sell our ideas, to negotiate, to work on task forces, to bring people together and to get things moving," says Anheuser-Busch's employee communications executive.

Based upon interviews and job descriptions submitted by survey participants, the adjacent Box outlines a range of responsibilities for three key communications positions, from the director, who has broad internal and external communications responsibility, to the publications editor. In some firms, the internal communications job is solely one of "editor"; in others, several levels exist. Chart 4 illustrates the configuration of internal communications staffs of varying sizes and diversity.

Doing More With Less

Survey comments and field interviews suggest that executives in many corporate level employee communications operations are running a lean shop—keeping staff size and other expenditures in line while trying to increase output. For example, a communicator in a financial service company who runs a centralized operation notes that his company doubled in asset size and number of employees in the past few years. The employee communications program has been revamped and expanded, but staff size remains the same. Existing staff must work harder and occasionally freelancers are hired to supplement staff efforts. An executive in a chemical company has redeployed the staff in the corporate communications department so that some professionals put in more hours on internal communications.

Table 9: Number of Full-time Staff at Corporate Level
(by financial size)

		Staff Size				
	No. of Companies	1 or less	2	3 or 4	5 to 10	11 or more
Financial Size						
Under $500 million	25	36%	28%	16%	20%	–%
$500 million to $1 billion	35	31	31	20	17	–
$1 to 5 billion	104	19	30	28	17	6
5 billion and over	88	11	19	23	35	11
All companies	252	20	26	24	24	6

Table 10: Recent and Future Staffing Trends at the Corporate Level
(by industry group)

	Staffing in 1984-1987 Period				Staffing in 1988-1991 Period			
	No. of Companies	Increase	Same	Decrease	No. of Companies	Increase	Same	Decrease
INDUSTRY GROUPS								
Manufacturing	113	24%	47%	29%	112	21%	75%	4%
Durable goods	63	28	40	32	64	27	73	—
Nondurable goods	50	18	56	26	48	15	77	8
Service	117	30	50	20	114	21	74	5
Utilities	45	31	49	20	43	25	70	5
Financial services	48	33	50	17	49	14	82	4
Nonfinancial services	24	21	54	25	22	27	64	9
All companies	230	27	49	24	226	21	74	4

In major metropolitan areas, professionals trade horror stories about firms that have wiped out entire corporate communications departments, only to rehire some former employees on a freelance basis. "Small is good," say some practitioners—they believe that "staying lean" is the best guarantee of job security.

Using Outside Resources

Given this climate of austerity, it is not surprising that almost 60 percent of the survey participants have recently used consultants or other outside help at the corporate level to supplement their staff. Almost a quarter of the companies that have not used outsiders in the past expect to do so in the near term. Moreover, nearly half of the firms in the study report that they recently increased resources to cover these costs. About the same percentages expect this trend to continue in the next few years.

Almost 50 percent of the 160 firms using outsiders hire them for tasks related to writing, editing, or producing printed employee periodicals. Smaller groups of companies report using outsiders to help generate ideas or prototypes for their periodicals (43 firms do so) or for related research (33 firms). A greater number, 99 companies, indicate that outsiders are used in writing, editing, and producing audiovisual materials. About 50 firms use outside help to generate ideas for such materials, and a handful (21) use this help for related research.

Executives in about 70 companies also reported using outside help to write, edit, and produce salary and benefit materials; nearly 55 firms use outsiders to generate ideas or prototypes for such materials; and 35 executives retain help for related research. In addition, respondents said they use outsiders for employee surveys and audits; for special projects e.g., developing brochures or designing award programs; for presenting news about sensitive topics, such as labor negotiations, a headquarters relocation, or a new acquisition; or for other projects, including seminars and training programs.

Job Responsibilities For Key Internal Communications Executives

The Director of Communications may:

- Develop department goals and plans.
- Manage one or more exempt or non-exempt persons as well as staff from outside agencies or freelancers.
- Act as company spokesman in dealing with the media.
- Oversee the preparation of the corporate annual report and other communications for the investment community.
- Approve, and possibly edit, all releases, publications, speeches, and audio-visual productions.
- Write speeches and press releases for senior management, and counsel these executives on public relations issues.
- Initiate research to assess the effectiveness of communications efforts.
- Act as liaison and/or monitor the efforts of communications from major corporate locations, divisions or business units.

The Manager, Employee Communications may:

- Manage the development, production and distribution of one or more company print or audiovisual periodicals.
- Supervise publications staff and contract with artists, printers, or other outside vendors.
- Act as style editor for all internal corporate communications and manage the production and distribution of those messages going to the entire employee population.
- Monitor and evaluate the effectiveness of employee communications.
- Write speeches for top managers at corporate, divisional, or business unit levels.
- Plan and organize special events or management/employee meetings.
- Coordinate internal communications activities between the corporate level and other units of the company.
- Provide training for internal communicators or publication editors in other units of the company.

The Publications Editor may:

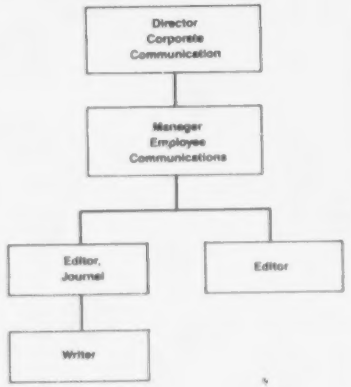
- Plan, prepare, and produce one or more specific publications.
- Coordinate all elements of production (working with design, editorial, typesetting, printing, etc.).
- Research and write a major portion of stories, news or features.
- Edit and direct efforts of other contributors.
- Negotiate with story sources and management for approval of story content.
- Take occasional responsibility for speechwriting.
- Develop material for bulletin board programs, electronic newswires, or other special communication vehicles.

Chart 4:

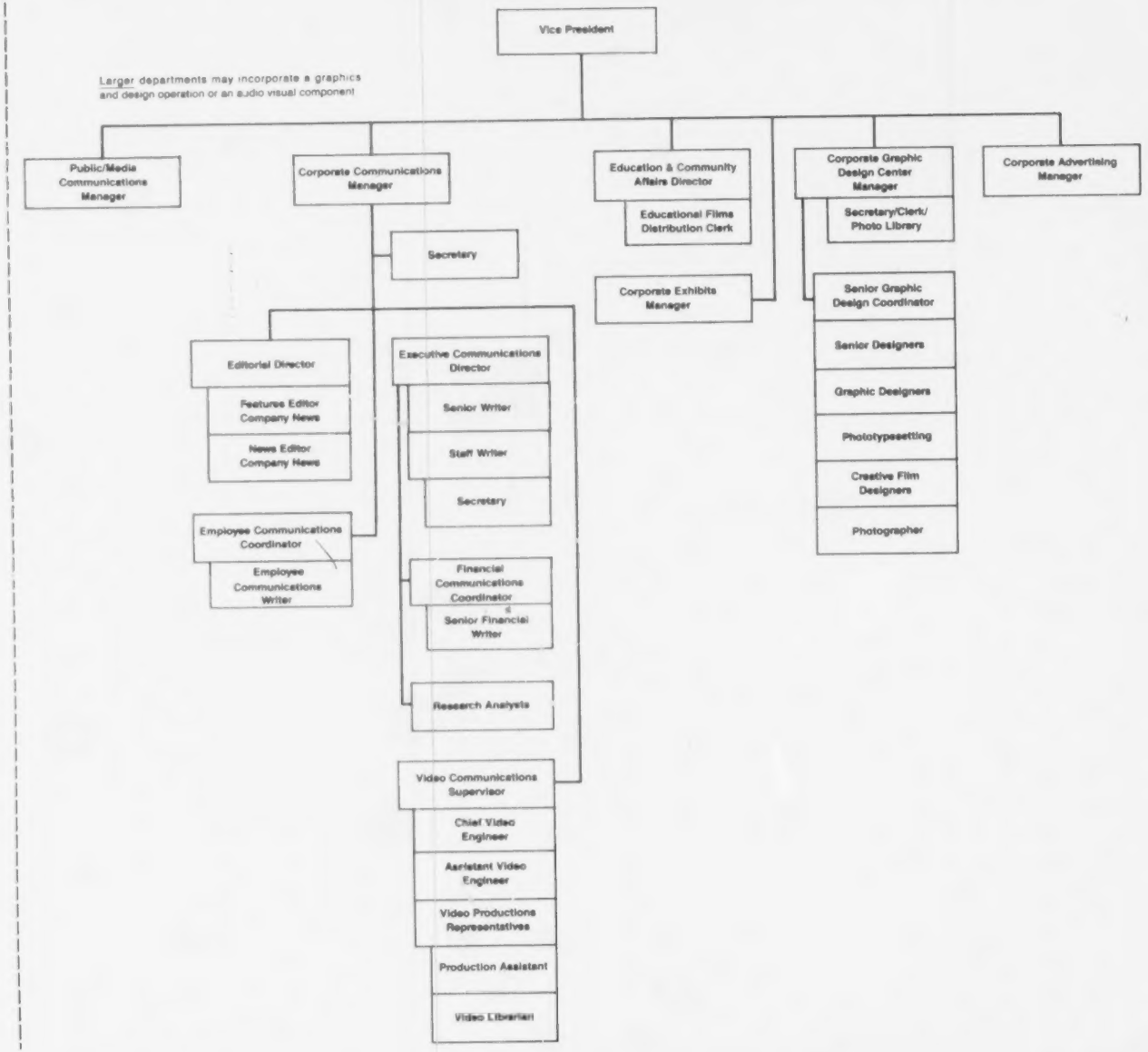
Organization of Large and Small Communications Departments

A small corporate communications department might be limited to a director and an editor/writer of the employee periodical and other communications.

Or, if there are several employee periodicals, as well as a broad range of other publications, there may be a director, a position of manager, and several full-time editors who work with a support staff of one or more writers.



Larger departments may incorporate a graphics and design operation or an audio visual component



Chapter 3

Implementing an Employee Communications Program

Many practitioners believe that the ideal form of employee communication is either one-on-one or small group meetings between employees and supervisors. If such interaction is part of the corporate culture, firms may not need a formal employee communications program. This is sometimes the case in small companies or in firms that are divisionalized into units with small numbers of employees. Indeed, even larger companies often view face-to-face communication as the base upon which a broader, formal employee communications program is built. Three-quarters of the participants in this survey report that their firms encourage small group meetings.

Among companies with a formal communications program, interviews and survey data indicate that print is still the medium of choice. Audiovisual materials, although ubiquitous, are often used for "special occasions," rather than day to day. Newer technologies, such as computer-based, "electronic messaging" or telephone hotlines, are not yet widely used, but about a third of the survey participants have them in place.

Two-Way Communications

Communications professionals like to remind executives in other functions that communications is not an "add-on" to effective management but an integral part of the management process. Research suggests that today's employees expect to communicate a with their supervisors. Surveys by the International Association of Business Communicators (IABC) indicate that employees prefer to receive information about the company either one-on-one or in a small group, and want to hear it from their supervisor or a knowledgeable, authoritative source.[1]

Many employees fault their companies for not encouraging upward as well as downward communication. In another recent study, a nationwide sample of 5,000 workers told the Wyatt Company, a consulting firm, that only a minority of their employers (about 40 percent) sought their input on key issues, while a quarter said that they did not feel free to express their opinions at all.[2]

In essence, two-way communication begins with informal exchanges between employees and supervisors. Some companies build on this with formal procedures that give employees an opportunity to ask questions or to have their say about workplace issues on a confidential basis. These firms provide printed forms that can be filled out by employees and sent to an administrator at the headquarters' office (see Box on p. 24).

To some extent, the desire to be informed about the company first-hand and to participate in the decision-making process in the workplace reflects a basic human need, and is not new. But it also conveys the growing sophistication of the workforce—the better-educated baby boom generation is now mature and a makes up a large segment of today's workers—the median age of the laborforce is about 35 years and is expected to be 38.9 years by the year 2000. "Our employees are very savvy—not only do they know what is happening at headquarters, but they are also aware of worldwide trends and are not afraid to demand more from the company. They will not come to a meeting if their perception is this is what management wants to communicate to you'; they want to participate," says an employee communications executive of a consumer products company.

Meetings Between Employees and Management

In interviews, executives in many firms stated that their companies have a tradition of encouraging face-to-face communication between managers (especially first-line supervisors) and employees. These interchanges may be

[1] See Karin Rosenberg, *What Employees Think of Communication*, Communications World, May 1985.

[2] See *Work America Survey*, The Wyatt Company, Boston, 1987. In 1988, Louis Harris and Associates, New York, released the results of a poll of 1,031 office workers. Only 35 percent of the group believed that their management encouraged "a free exchange of information among employees and departments." Less than 30 percent felt that their management encouraged a "participatory style at all levels of decision making." See "Workers Want Their Employers to Listen to Them," The New York Times, June 14, 1988.

Two-Way Communication

Several study participants provided samples of their formal vehicle for encouraging two-way communications between employees and management: Employees may pose questions or make comments using a mail-in form addressed to an administrator at the headquarters office (see adjacent sample). When the form is received, the employee's name is removed and placed in a secure place. The form is given an ID number and is edited to ensure that it contains no information that might identify the employee or a third party. The employee's question is retyped and turned over to the highest level manager knowledgeable about the subject.

IBM's program, called "Speak Up," started at one plant in 1959 but is now company wide. More than 250,000 employee queries have been fielded by the program's administrators since its inception. Usually the turn around time is about ten working days. After the manager assigned to investigate an employee query has supplied a written response, it is reviewed by the program administrator and then mailed to the employee's home address. As an alternative, the employee may request a personal response, by telephone or in person.

Several other companies have programs that are similar in concept, including Alexander and Alexander ("Private Line"), Anheuser-Busch ("Comment"), Coca Cola ("Talk it Up") and Eastman Kodak ("Dialog"). Some queries and company responses that apply to a broad cross-section of employees may ultimately be reprinted (without employee identification) in an employee publication.

impromptu "tool box" sessions between a supervisor and workers on the plant floor aimed at resolving production problems, or gatherings to obtain suggestions for improving quality and efficiency. Or the sessions might be formal meetings scheduled for large or small groups of employees with the top plant, divisional, or business unit executive.

Two companies in the defense industry illustrate practices used in heavy manufacturing firms: General Dynamics' Director of Public Affairs says that the company has had success with "walk throughs," in which the plant's general manager moves among assembly line workers, as well as with breakfast or luncheon meetings between the general manager and small groups of production employees. At McDonnell Douglas, meetings may be very large "boss talks" for which hundreds of employees are bussed in from remote sites; smaller, informal plant-site breakfast meetings; or even unscheduled lunches with the CEO in the employee cafeteria.

Top Management In the Spotlight

At the corporate level, presidents and CEOs sometimes schedule annual employee meetings to review the state of the company and the industry. Anheuser-Busch Inc. (the largest subsidiary of Anheuser-Busch Companies) takes a two-tiered approach to its employee communications meetings, which are coordinated by corporate level communications staff. Every third year since 1974, the company has mounted a major, motivational and informational multimedia show at an evening event to which both employees and their spouses or guests are invited. In years when the event is not held, the company sponsors meetings during work hours at the plant location. Each of these question and answer sessions is attended by groups of 100 to 150 employees.

The annual employee meetings are held at each of the company's 12 brewery sites. Top management, including the Chairman of the Board, participates the event in St. Louis, the headquarters community. The Chairman usually attends meetings at two or three sites, the top-ranking vice president goes to another 2 or 3, with other vice presidents dividing up the remainder. Site selection is rotated, so that each receives a visit from the Chairman every few years.

Top management may also schedule meetings with selected groups of employees. For example, at General American Life, an insurer, 12 employees are selected at random each month by the the computer to form an "Associate's Advisory Committee," which meets with the President to discuss matters of companywide concern. The company also has a Junior Board of Directors, an advisory group of 12 management level employees who meet monthly with the Chairman—members' tenure is one year.

Widespread Use of Meetings

Whatever the format, three-quarters of the survey respondents report that they have a program of small group meetings, and both corporate communications and human resources executives appear to take an active role in organizing such gatherings: Corporate communicators are involved in about 55 percent of the surveyed firms, and in almost 65 percent, human resources executives have a role in managing such meetings. About half of the firms report that use of meetings has risen in the past few years, and only a handful report that meetings have decreased.

Overall, roughly half of the firms schedule meetings on at least a quarterly basis; about a third say they have gatherings only for special occasions, nearly 15 percent report holding meetings "very often" (even daily); and about 5 percent schedule annual meetings. Since these data tend to reflect meetings initiated by corporate level communicators, they may not be indicative of the full spectrum of activity in divisions, business units, or at plant locations.

Survey participants most often cited boosting morale and engendering good will as the purpose for meetings (Table 11). In addition, over 60 percent use meetings to inform employees about internal changes or to deliver messages about the need for greater productivity or attention to quality. Meetings are also a popular vehicle for explaining compensation and benefit programs—70 percent of the firms use them for this purpose. Overall, higher proportions of

Speak Up!

Seal

Date

Before mailing, fill in the name of your division or subsidiary in the box on the other side.

Only you should use this form. Use a separate form for each subject.

Your name will be kept confidential by the Speak Up administrator.

The answer will be mailed to you at your home, unless you specify otherwise.

Speak Up gives you another voice in the company. Don't be afraid to use it, but use it wisely. If the Speak Up brochure doesn't have all the answers you need, call your Speak Up administrator.

IBM

Speak Up…it's your company, too.
Speak Up is for IBM employees and retirees who want to make their comments, questions or concerns known to management… anonymously.

When you sign, you can expect a direct response from your Speak Up administrator. The administrator will not divulge your identity without your permission. *That's a promise.*

When submitting a Speak Up, we suggest you keep these points in mind:
1. Outline your thoughts before you start writing.
2. Know what you want to say. Be direct.
3. Avoid distracting side issues.
4. Provide all the necessary facts.
5. Type, or write legibly.
6. Review what you've written before you send it off.
7. Be patient. It might take some time to research your subject and write a thorough answer.

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NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

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FIRST CLASS MAIL PERMIT NO. 40 ARMONK, NEW YORK

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Personal

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IBM Corporation
IN-01
Old Orchard Road
Armonk, NY 10504-1783

Suggestions that give specific solutions and are intended by the employee for award consideration should be submitted through the IBM Suggestion Plan.

(For program use)

This stub will be removed on receipt by the Speak Up administrator, who will be the only person to see it.

☐ Check here if you do not want your letter published.

☐ Check here if, instead of a mailed reply, you prefer to discuss this matter with a qualified person.

(For program use)

(Please print)

Name

Home address

City State Zip code

Home or work location telephone Department

Division or subsidiary IBM location

Remember, if you don't include your name you cannot receive an answer unless your Speak Up is chosen for publication.

Table 11: Selecting Media to Meet Key Communications Goals
Percent of Companies Using Medium
(281 respondents)

Goals	*Mgmt. Letters/ Bulletins*	*Brochures/ Manuals*	*Newsletters/ Mags.*	*Bulletin Bd. Postings*	*Payroll Inserts*	*AVI Video Prod.*	*Electronic Messaging*	*Meetings*
Improving employee morale and fostering goodwill between employees and management	68%	29%	90%	46%	11%	64%	15%	75%
Informing employees about internal changes	88	15	86	53	5	37	18	62
Increasing employee understanding of the company and its:								
—products	30	45	83	16	1	50	9	39
—organization	68	24	84	32	1	35	11	44
—codes and policies regarding corporate ethics	61	53	51	13	3	22	4	37
—changing corporate culture	45	19	76	9	2	42	6	50
—external business environment (e.g. competition, regulation)	48	10	81	10	7	30	6	47
Changing employee behavior toward becoming more:								
—productive	53	19	84	25	3	52	5	66
—quality oriented	52	28	85	24	2	49	6	68
—entrepreneurial	28	7	54	8	1	26	3	45
Explaining compensation and benefits	66	85	72	39	32	49	6	70
Increasing employee understanding of major health or social issues or trends that affect them	36	34	76	22	8	25	2	44
Encouraging employee participation in community activities	41	16	74	26	3	22	2	27

manufacturing than of service firms use meetings to meet most of the goals shown in Table 11. (For industry data, see Appendix, Table 1.)

Proponents of two-way communication argue that more openness and information exchange leads to greater cooperation and teamwork, which can ultimately heighten productivity. There are skeptics, however: They believe that good communicators are born, not made and that some first-line managers are ill-equipped to communicate messages, especially those dealing with company wide issues. The disbelievers wonder whether forcing small group meetings or other face-to-face techniques upon employees and supervi

sors uncomfortable with the process might not result in increased ill-will—rather than heightened productivity.

In interviews, the more optimistic communicators suggested that firms can develop a culture that promotes two-way communication—although it is likely to be a long term process. One executive gave as an example a face-to-face program he and some colleagues helped launch in the early 1980s. It has today taken root and become part of daily operations:

> "When we initially suggested a program in which senior executives would hold open, unscripted meetings with employees, we were almost laughed out of the room. But we regrouped and came back with a proposal for more structured meetings. Senior executives went out with scripts and overhead transparencies as well as the answers to some frequently asked employee questions. They made a 40 minute presentation, followed by 20 minutes of questions and answers.
>
> Our goal over five years was to minimize the amount of scripted time and to maximize the Q&A time. It worked. Today many of the company's senior managers are quite comfortable walking into employee meetings with no script. They just go in and talk and field questions."

One obvious way to instill an appreciation for face-to-face communications is to have the firm's chief executive serve as a role model. In interviews, several communicators noted the marked change in the communications climate introduced by a CEO who had the open style of a "natural communicator." The former CEO "talked about face-to-face communication," they commented, "but this CEO goes out and demonstrates what he means by it." Since not every CEO is a gifted communicator, however, many firms attack the problem by making communications part of management training (see Box p. 28). More than half of the respondents reported that their firms have a communications training program—utilities and banks appear to lead other industry groups in this respect. In interviews, some executives state that supervisors' effectiveness in communicating with employees is rated during performance appraisal.

Providing Employees with In-Depth Explanations

Even as employee communicators help to build their firms' capabilities in face-to-face communications, they continue to view their employee periodical as the primary vehicle for accomplishing most of the communications goals listed in Table 11. Some firms supplement their printed periodical with video "magazines," and many use audiovisual materials to achieve a wide range of goals—most frequently to build morale and encourage productivity. Brochures and manuals are also used by many companies. They are the most popular means for describing a company's compensation and benefit plans and are a frequent choice when top management wishes to explain the corporate code of ethics.

Employee Periodicals

Just over 90 percent of the respondents have a periodical that goes to all company employees—among companies that describe their employee communications activities as "centralized," this figure rises to 97 percent. Many firms have more than one publication: Almost half of the respondents indicate that they have a magazine, but another 80 percent are evenly split between distributing a newspaper or newsletter to their entire workforce. As Table 12 illustrates, an employee magazine is the popular choice among manufacturers and utilities. Among service companies other than utilities, either newspapers or newsletters have a slight edge.

Firms of all sizes appear to be equally likely to choose a magazine as their conduit. However, when choosing between a newspaper or newsletter, smaller firms—those of a financial size under $500 million—are more likely than bigger ones to select a newsletter. Half of the group of smaller firms uses a newsletter compared to only a quarter of the largest companies (those of a financial size above $5 billion).

Although many companies distribute periodicals at the workplace, about half of the survey respondents mail the publications to the homes of employees. This is especially true among those companies that report an organizational set-up in which communications responsibilities are decentralized or shared by corporate and divisional or business unit personnel. Fifty-five percent of this group mails publications to employees' homes, compared to about 40 percent of firms with a centralized arrangement. Less than 20 percent of financial service firms mail periodicals to employees homes, compared to 70 percent of utilities firms and 60 percent of manufacturers.

Sending Messages Up and Down

"Employees want to know what is going on, but you must be sure not to deliver contradictory messages. If there are new rules, such as cost-containment measures, they want to know the reasons and need an assurance that everybody is abiding by them," the Supervisor, Employee Communications at Georgia Power comments. Buttressing this argument, an executive of a consumer products firm notes: "There should be a business reason for every article that runs in the corporate periodical. If the material is believable and interestingly written, people will read the publication."

Topping the list of messages that communicators deliver via the corporate periodical are those concerned with employee morale, internal changes, and information on how the company is structured and operates. Says Pfizer's Director, Employee Communication, "We're trying to build a sense of involvement and identity among employees, based on knowledge of the business. We want them to feel 'this is my company.' "

Messages about quality and productivity are also high on management's agenda. "Communicating about quality and productivity is very important to us," says the Director, Communications at Anheuser-Busch Companies. "Because we

Learning To Communicate

Executives in almost 60 percent of the surveyed service firms and just over half of the manufacturers reported that their firms have programs to train supervisors in face-to-face communications. There is some variation by industry:

INDUSTRY GROUPS	*Have Communications Training Program (264 Companies responding*
Manufacturing	**52%**
Durable goods	53
Nondurable goods	50
Service	**59**
Utilities	65
Financial services	62
–Banking	67
–Insurance and other	57
Nonfinancial services	43
All companies	56

In interviews, training executives from two firms described how their programs operate: **Emerson Electric** encourages a communications culture in many ways (as outlined in their "Communications Techniques" Handbook). These include suggesting that supervisors hold regular "tool box" meetings on the plant floor, and conduct regular (monthly) training/communication meetings for supervisors, presenting "state of the business" information and so on. Also, the top Operations person and Human Resources person conduct a formal monthly meeting for a randomly selected group of employees to encourage feedback.

In addition, Emerson's supervisory training program, "Communicative Supervisor," contains an individual training module in which managers learn about the firm's intent and rationale regarding communications, as well as about the "how to's." "We are equipping people to respond as managers within a "best chance for success culture," says the Corporate Director, Training. In this and other modules in the training program, supervisors learn "behaviors that will be effective throughout their experience as an Emerson manager." Not only do managers learn to communicate more effectively, but also "to exhibit a communicative style of leadership and create a positive employee relations environment."

Anheuser-Busch managers learn about effective communication as part of a course that emphasizes alternate managerial styles. As trainees, they view a videotape that demonstrates six major styles. The managers analyze each style and discuss the degree to which each is effective in the workplace. Three styles are generally effective (authoritative, democratic, and coaching), the others (coercive, affiliative, and pace-setting) are usually less so.

Trainees are asked to select a style and to apply it to a job-related problem, practicing in videotaped role-playing sessions with a fellow employee, while instructors circulate and make suggestions. This activity is part of a basic five day program in which managers ultimately set a goal to be accomplished when they return to the workplace (e.g., to increase productivity on a particular line of goods by a specified percent). Back on the job, they apply the concepts learned in the training program, knowing that there will be a three-month follow-up on their progress. After six months, the group reconvenes for two days of skill building. At the end of 12 months there is another follow-up to determine whether the managers have in fact met their goal.

Communications skills are also implicit in other Anheuser-Busch training programs—an underlying theme is that "a manager's job is to get things done through other people." Thus, in other sessions, managers learn negotiation skills, or the art of "positive power and influence." The latter, says the company's Manager, Development and Training, focuses on "using socialized power for the greater good of the organization, rather than for other ends."

stress quality in our production process, we are the highest-cost producer of beer. To stay competitive, we must look for other ways to cut costs. One of those is increased productivity."

Manufacturing and service firms sometimes differ in the priority they assign to certain messages. For example, manufacturers are more likely to emphasize ethics in their corporate periodicals than are service firms. Conversely, service firms are more likely to stress information about compensation and benefits and about opportunities for community involvement (Appendix, Table A2).

Input from employees comes in a variety of forms:

- Communicators in most of the firms surveyed (90 percent) say that they and their staff receive considerable feedback through informal contacts with employees.
- Employees participate in periodic surveys in about six out of 10 firms.
- In about half of the surveyed firms, employees may submit articles for the company publication and in 30 percent, employees submit material for a "letters" column.

Table 12: Format of Employee Periodical Targeted at All Corporate Employees

	Have Periodical for All Employees		Periodical Is:		
	Number	Percent	Magazine	Newspaper	Newsletter
INDUSTRY GROUPS					
Manufacturing	120	87%	47%	35%	38%
Durable goods	62	83	50	35	42
Nondurable goods	58	93	11	34	34
Service	136	95	46	42	40
Utilities	53	100	58	45	36
Financial services	59	94	37	46	37
Nonfinancial services	24	89	42	25	62
All companies	256	91	47	39	39

Among the 131 firms that accept articles from employees, 45 percent have an employee population in excess of 10,000. "Letters" columns are reported most frequently by the very largest companies—those with 30,000 or more employees.

- A third of the companies (and 45 percent of those with 30,000 or more employees) said that employees have an opportunity to provide feedback through small group discussions with their supervisors.
- Twenty percent of the firms reported that they have an employee advisory committee for their publications.

In interviews, corporate communicators say that they try to maintain a balanced mix between employee interests and management's message. They acknowledge, however, that some employees would like more "human interest" material. "Sometimes our senior vice presidents get on a kick, such as quality, and may become heavy handed, but we can find ways around it," says a communicator. "Rather than running special features on quality three months in a row, we try to weave that theme into stories and features on other topics." These corporate-level professionals also believe that that it is more appropriate for "chatty" material—features on employee hobbies, local sports events, milestones and the like—to be included in publications prepared at local sites.

Publication Trends

With so many respondents reporting extensive change in their companies as a result of restructuring, mergers and acquisitions, and the like, employee periodicals would seem likely to grow in number and frequency. Just under half the companies report a rise in the number of different employee publications issued in the past few years (1984-1987), and 30 percent expect to increase the number of publications by 1991. Recent increases appear to be more prevalent among large companies, while smaller companies are more likely to project future increases (see Table 13). Although roughly 15 percent of the firms reduced the number of employee publications in recent years, few executives expect decreased numbers in the future.

Among the companies publishing a magazine, the median number of issues is five annually; newsletters and newspapers are typically published monthly. In the majority of companies, these levels of frequency have not increased in the past few years and this trend is expected to continue. About a third of the companies scheduled more issues in recent years, and just over a quarter expect to be publishing more frequently in the next few years. The tendency to publish more frequently is more prevalent among smaller firms than among larger companies (Table 13).

Production costs are the major area in which most executives reported past increases and expect to see future growth. Costs have climbed in 60 percent of the firms in recent years and just over half, especially smaller firms, expect them to continue to do so. A review of a sample of 100 employee periodicals submitted by respondents indicates that some firms are experimenting with non-traditional formats. The most typical sizes for such publications are 8½ × 11 and 9 × 12 inches, but at least 15 percent of the sample group uses a larger, 10 × 14 inch size. In some cases, large size newspapers or newsletters are folded, and one side is printed as a cover creating a hybrid "magapaper."

Reaching Special Audiences

Respondents in four out of ten firms recently expanded their audiences and slightly more than a third of the executives expect to reach out to more within the next few years. At least a third of the companies have a publication for one

Table 13: Employee Periodicals: More Publications; New Audiences; Increased Expense

Trends by Financial Size of Company[2]	Changes in Employee Periodicals[1]							
	No. of Different Publications		Frequency of Publication		No. of Audiences Targeted		Production Expenses	
	Current	Future	Current	Future	Current	Future	Current	Future
Under $500 million (26)*								
increase	38%	44%	50%	40%	42%	46%	68%	68%
same	50	48	31	56	46	54	16	28
decrease	11	8	19	4	12	—	16	4
$500 million to $1 billion (39)								
increase	36	38	35	28	31	32	68	71
same	51	56	55	64	69	65	18	21
decrease	13	5	10	8	—	3	13	8
$1 to $5 billion (107)								
increase	48	29	27	24	36	35	59	55
same	36	68	58	71	60	62	23	37
decrease	16	3	14	5	4	3	18	8
$5 billion and over (91)								
increase	47	26	30	26	49	36	60	43
same	33	63	49	68	44	60	18	43
decrease	20	11	21	6	7	3	22	14
All companies (263)								
increase	45	30	33	27	41	36	61	53
same	39	63	51	67	53	61	20	37
decrease	16	7	16	5	6	3	19	10

[1]Current represents the 1984-87 period, future the 1988-91 period.

[2]Financial service companies are ranked by assets; transportation and utilities companies are ranked by operating revenues; and companies is all other industries are ranked by sales.

*Figures in parentheses are number of respondents.

or more special groups, such as managers, individual business units or divisions, or specific functions (e.g., sales). About a quarter of the firms have a retiree publication and one in five have a communique for hourly employees. Most often, the publication is a newsletter, although about 20 percent of the firms report publishing a magazine for one or more of these special audiences.

Communicators at the corporate level are most likely to prepare the publication geared to managers, retirees, or hourly employees, while periodicals intended specifically for business units, divisions, or functional areas are more often prepared by others. Many firms report multiple publications, often newsletters, many prepared at separate company locations by employees who have no formal "communications" responsibilities.

Desktop Publishing

Locally produced publications have long been a fact of life for corporate communicators and are often encouraged, especially in decentralized organizations. Recently the advent of "desktop publishing" technology has prompted new and sometimes more elaborate local publication efforts. Software available since 1985 enables personal computer users to design and lay out pages on a computer screen, as well as to compose the copy. The technology allows a communicator to bypass such time-consuming steps as paste-up and typesetting, by transmitting the computer-developed page layout directly from the computer screen to a high-quality printer. Among the 110 survey respondents who have desktop publishing capability, about half use the technology at

the corporate level; nearly 40 percent use it at non-corporate locations, and the remainder use it both at corporate and elsewhere.

Many editors of local publications are using desktop publishing to improve the look of their product. But horror stories also abound about "monster" publications prepared by would-be newsletter publishers in local offices of major firms. Among the "sins" of such novices are poor graphics, including distortions of the company logo, use of multiple typefaces on the same page, and a tendency to overdo borders and rules around columns, boxes, and the like.

In some companies, corporate level communicators are taking measures to protect the design integrity of company communiques. This may mean sending a list of user hints to those company locations producing newsletters or other documents via a desktop system. Some firms are using the desktop revolution as an opportunity to update the company's communications guidebook; others are considering adding desktop publishing to their annual training program for the editors of divisional, plant, or business unit publications.

Desktop Publishing—Growing Use; Varying Appraisals

Although some professionals note that the quality of the finished product is inferior to that of the typeset page, desktop publishing is already well established in many companies. Just over 40 percent of the survey respondents reported that their firm uses desktop publishing. Manufacturers lead service firms—45 percent of manufacturers versus 39 percent of service firms have this capability. (At the extremes, 52 percent of producers of consumable goods, but only 23 percent of banks use desktop publishing.) Nearly half of those companies not now using desktop publishing say that they plan to start use during 1988.

Several respondents volunteered comments on the technology:

- From a consumer products' company: "We initiated desktop publishing in 1987 and doubled our frequency for the same amount of money."
- From a retailer: "We have realized tremendous savings in production costs by going to...desktop publishing approximately three years ago. We have a network of 8 PCs and a laser writer and plan to add more.
- From a bank: "Very successful...we realized a one-half year payback by going to desktop publishing for our newsletter and magazine work."

But not everyone is enthusiastic. Quality and the time it takes to train staff are key issues. "We send discs to typesetters to save dollars and for up-front accuracy. We regularly evaluate desktop. Right now it is too time intensive for our employees. The results lack quality," said a retailing executive. A communicator in a pharmaceutical firm echoed this sentiment: "I do not want to turn writers into layout designers. It is an inefficient use of trained talent."

Brochures and Manuals

Periodicals help to keep employees up-to-date on important company issues and news, but sometimes more specialized, in-depth treatment is required or at least desirable. Most companies prepare special materials to discuss salary and benefit guidelines, and many firms develop pamphlets, brochures, and the like for use in employee recruitment and orientation. Among the firms surveyed for this study, communicators were involved in the preparation of salary and benefit materials in only 20 percent of the cases. But about half participated in developing orientation materials. Typically, these materials are initiated by the human resources department—when involved, communicators are usually responsible for producing the materials.

Benefits materials submitted by survey participants use a wide array of formats. Among them are paperback employee handbooks and looseleaf binders. Handbooks often cover more than benefits, sometimes discussing employee rights, recognition, community involvement, and other topics (see Appendix, Exhibit.) Rather than wrapping a discussion of benefits into one publication, some companies prepare a series of brochures covering separate aspects of the benefit program. For example, Union Carbide has booklets covering its medical plan, life insurance program, savings program, health and dependent day care reimbursement program, and another on its major medical medicare supplement plan.

Of course, print is not the only medium used to transmit information about benefits. In some companies, employees can use their personal computers to interact with computer programs that will help them decide how much to contribute to a company savings plan by giving them tax savings and future account balances at various savings rates.[3] Many firms also use audiovisual devices to inform employees about changes in benefit plans.

In addition to benefits materials, respondents supplied a broad range of samples of brochures and other printed communiques prepared under their auspices. Many communicators believe that the annual report is now a form of employee communications (see box, p. 32). Also part of the communicators' repetoire are general corporate overviews (the company "at a glance"); company histories; statements of mission or values; product descriptions; policies on ethics, alcohol and drug abuse, or AIDS; as well as descriptions of the firm's community involvement.

[3]See Michael S. Tomback, *PC Invasion Improves Benefits Communication.* National Underwriter (Property & Casualty/Employee Benefits), April 4, 1988. (The article is an edited version of remarks presented at the Conference Board's 1988 Employee Benefits Conference.)

The Annual Report as an Employee Communication Tool

Many of the executives responsible for communications within the corporation are also responsible for delivering the corporate message to shareholders through quarterly and annual reports. In interviews, several employee communicators noted that they are making an extra effort to develop "readable" annual reports for their firms. In an era of cost containment, resources devoted to external endeavors must now do double duty and speak to internal audiences as well.

Some companies develop special employee annual reports—sometimes this is an issue of their regular employee publication, sometimes they appear as a separate document. For example, Thomas J. Lipton, Inc. issues a "President's Progress Report." A recent edition opened with the CEO's overview of the company's accomplishments during the year just ended, and is followed by an appraisal of the firm's strengths and a review of the marketplace for its major product lines. The latter section contains an overview of plans and accomplishments in business investment and expansion, and an appraisal of the firms' safety record. A financial summary showing the firm's income statement and balance sheet wraps up the report.

Other reports focus on employee accomplishments or on the the status of employee benefits:

- Walgreen's report for 1986 illustrates "where the money went," dividing up annual sales into percentages for cost of sales, employee wages and benefits, and "all other" (rent, dividends, retained earnings, and advertising). It also devotes several pages to answering questions asked by employees.
- St. Paul Companies adopted the theme "One Day in the Life of The St. Paul" for its 1987 special report to employees. In photos and text, it follows employees from many areas of the company (managers, computer technicians, claims adjusters, etc.) in one aspect of their day at work.
- Giant Food selected its summer 1987 employee magazine as the vehicle for its 1987 annual report and stressed one major theme, customer service.
- Transamerica Inc. chose the the first issue of the company magazine for 1987 to provide employees with a company overview. Dubbing 1986 a "renaissance year," the issue covered topics such as marketing, entrepreneurship, people, expansion, efficiency, and technology. The issue also included a readership survey.

Audiovisual Materials

Audiovisual materials (AV), whether films, slideshows, or videotapes, are used for employee communications by virtually all of the surveyed firms. At least half of the companies use audiovisuals to lift employee morale and promote goodwill, supply information about company products, and promote quality-oriented, productive employee behavior. Supplying information about compensation and benefits is another important use for AV, especially in manufacturing firms and utilities. In fact, at least half of the surveyed utilities reported using AV to help achieve a majority of the communications goals listed in Table 11. (See Appendix, Table 3 for industry detail.)

Seventy percent of the survey participants reported that their use of video or film productions has increased in the past few years, while only 6 percent report a decrease. Use of slideshows may be giving way in some cases to newer technologies such as videotape. Although a quarter of the firms indicated an increased use of slideshows recently, almost 55 percent said usage is stable; 20 percent claimed less use.

Wide Usage, But a Complement to Print

Communicators described a wide range of uses for audiovisual communiques—from using the CEO's annual videotaped review for briefing employees on the the business, to providing updates on company news, issues, and people through monthly or quarterly video "magazines" (see Box on p. 33). About 250 firms use fims or video and almost 225 use slideshows. Nearly a quarter of the users employ AV at least monthly. Another third use film or video productions three or four times per year, and about a quarter use slideshows with this frequency. For more than 40 percent of the respondents, slideshows are the AV choice for special occasions while, about a third use film or video productions for these events. Less than 10 percent of the firms say that they only use AV on an annual basis.

Contel Corporation prepares quarterly videos for employees and also uses them for special occasions. The quarterly video is about 20 minutes in length, containing a newscast, an interview with a company executive, and a special feature. Outside talent is used to report the news, to "anchor" interview segments, and sometimes to narrate the special feature.

The program has been produced for three years, and follow-up survey sheets from employees and other feedback indicate that it is a success. The Director, Communications estimates that the videos are seen by about 75 percent of the workforce, either in special employee meetings or in the cafeteria, break-rooms, or other employee gathering places. The company has recently set up a program that allows employees to check out the video overnight for home viewing.

When a new CEO was recently appointed at Contel, the communications staff videotaped an interview with him and sent it out to divisions within a week of his appointment. "It would have been great to have him walk into every building, but that wasn't possible. This was the closest thing to a personal visit," says the Director, Communications.

In interviews, the consensus among communicators appears to be that AV is a complement to printed communiques. Print is still considered the best choice for deliver-

Video "Magazines"

There seems to be little argument with the use of audiovisuals (AV) for special occasions that lend themselves to coverage by that medium. But because production can be costly and time consuming, several companies that prepare video "magazines" for employees have cut back on the frequency with which they develop and circulate the videos—four to six times per year appears to be the norm. One firm is discontinuing its video magazine due to lack of employee interest, and will upgrade its print magazine with the savings.

Another frequent concern among those who have video magazines, and those who are contemplating launching one, is audience penetration. Many communicators are skeptical about reaching a significant number of employees, especially hourly workers. "You need concentrations of people to make use of video effective," said the operations manager, Public Relations at BellSouth Corporation. We want to do video, but with 99,000 people spread throughout locations of various sizes, we have some questions about its effectiveness." Employees in one division of General Dynamics are involved in shipbuilding. "When they finish a shift working in the bowels of a ship, these workers just want to go home," said the firm's Corporate Director, Public Affairs. "It's not realistic to expect them to head for the cafeteria to view a company video."

Many practitioners believe a video magazine can be an effective communications vehicle—especially among those employees who are not print oriented. Those executives who are committed to a regular program of videotaped productions acknowledge the cost, but note that their firms have their own production facilities. The facilities are also used to develop materials for other company projects, such as management training, and sometimes take on work from outside the company.

Advocates suggest that consulting with divisions and plant sites on when and where to show the videos can help to ease their introduction and guide their distribution. Follow-up is needed to reinforce the importance of using the videos and to gauge the level of employee receptivity.

ing detailed information that employees need to review and digest. "People in our company have been through a lot of internal change in the past few years. At this time, we want to deliver a large quantity of hard-nosed business information to them. That is not an appropriate use for audiovisuals. AV technology can be good for interview vignettes or giving the feeling and texture of life at a particular facility. But it is an expensive technology and not a very effective way to deliver hard facts," says a communications executive of a major consumer products firm.

Getting The Message Out—Fast!

Ideally, corporate communicators would like to inform employees about corporate earnings figures, a major acquisition, a change in senior management, or the introduction a new product at the same time it is being released to the press. Such timing assures that employees hear news in the workplace from an authoritative source, and not via the grapevine or a newspaper, TV, or radio story.

If there are large concentrations of employees at headquarters or in nearby cities, it may be possible to deliver such messages near the time of their public release. When employees are geographically dispersed, however, such immediacy is difficult to achieve unless a company can avail itself of one of the newer electronic technologies.

Management Letters and Bulletins

Respondents are most likely to issue letters and bulletins from top management in order to inform employees about internal change—88 percent reported doing so. Such change may be as comprehensive as a major restructuring or as specific as the appointment of a new senior vice president. Letters and bulletins take less production time than magazines or audiovisuals. In a few hours time, they may be developed and posted upon bulletin boards, delivered to employees desks or mail stations or transmitted by an electronic messaging system (see page 34). Sometimes, letters are mailed to employees' homes—about 40 percent of the total respondents, and 60 percent of the utilities follow this practice at least occasionally.

Other popular uses for this form of communication include employee morale building, explanations about changes in compensation and benefit systems, and information about the organization of the company. Almost 70 percent of the firms issue letters and bulletins for these purposes, while about 60 percent use them to inform employees about corporate ethics. (For patterns of use by industry, see Appendix, Table 4.)

Nearly 200 companies use a variation on letters or bulletins, printed payroll inserts. Most often the inserts are used to deliver messages about compensation and benefits, but also to build goodwill or improve employee morale, and occasionally to talk about health or social issues.

Information Centers and Bulletin Boards

Although most participants say that they have a bulletin board program, communicators appear to choose this vehicle less frequently than other delivery methods to achieve the goals listed in Table 11. One reason may be that the human resources department is more likely to be responsible for bulletin board programs than is communications (see Table 4). Nevertheless, bulletin boards are used by more than half of the respondents to announce internal changes; almost half use them for messages to lift employee morale and promote goodwill between management and employees.

Several companies reported that they use their bulletin board as an "information center." In addition to space for postings, the board is equipped with "pockets" for leaflets or flyers that supply employee information. (Information

center designs vary—sometimes the center is shaped as a kiosk). The printed material may discuss opportunities for community involvement, an upcoming sports event, crime-prevention tips, or the like. Sometimes the center is the distribution point for a newsletter written specifically for workers at that location.

Electronic Messaging

In some firms, a substantial number of employees are equipped with personal computers, so that messages can be relayed by a centrally located computer (e.g., at headquarters) and displayed at employee work stations, or at public terminals in such gathering places as the cafeteria, lounge, reception area, or near elevators. Often, however, companies have a a variety of different, incompatible computers, that are difficult to access from a central source. In such cases, electronic mail is sometimes used as an alternative.

In one such system, major company locations have registered "electronic mailboxes," i.e. a selected number of personal computers at that site. Each "mailbox" can get access to a central electronic mail location by dialing a specific telephone number. A variety of interface "modems" at the central location translates company messages into the appropriate language for the accessing "mailbox" computer, and prints it out for the recipient or for broader distribution or bulletin board posting.[4]

About a third of the respondents (91 companies) reported that they have some form of electronic messaging capability, and just over half use it on a daily basis. Ten companies use the technology on special occasions, 12 use it at least quarterly, and the remainder are scattered in the frequency of their usage. Service firms show a slight edge over manufacturing firms in their use of the technology (35 percent of the former vs 30 percent of the latter.) Utilities stand out from other groups, with almost half of the participating firms in this industry reporting electronic messaging capability.

Since the technology is still evolving and can be expensive, companies appear to be using it to supplement other forms of communication, or sometimes to gain access to a specific group of employees—e.g., those at headquarters or at other locations with large employee concentrations, or those of a certain management level. General Dynamics executives estimate that their electronic "bulletin board" can be accessed through 10,000 terminals around the corporation and that its messages reach about twenty percent of their employees. The system can carry messages relevant to employees in a particular division as well as corporatewide messages; it also carries a daily news summary prepared by the firm's Washington office.

Georgia Power uses its News Service program to deliver messages to employees via video terminals placed strategically throughout its two headquarters' locations in Atlanta. (The system can also be accessed by managers in several of the company's major locations outside Atlanta.) In addition, its Newsline operation sends out messages that can be picked up on personal computers in local offices. Or, Newsline can be adapted to deliver messages of interest only to employees at a specific locale.

Telephone Hotlines

Although the information may not reach masses of employees, telephone hotlines are another option for speeding communication. In some firms, hotline messages are recorded, providing information about company stock prices, the status of labor negotiations, and the like. But some hotlines are "live"—answered by a person who can respond to a range of employee questions or make referrals. For example, General Dynamics set up employee hotlines when it instituted a new corporate ethics program in 1987. Employees could call the corporate Ethics Director to inquire about behavior or issues that might require ethical judgment. Employees did call the hotline with questions about ethics, but they also called to get answers to general questions about the company and it policies. As a result, General Dynamics set up a special "information line."

Just over a third of the survey respondents reported using of telephone hotlines. Of this group, two out of three firms rely on them on a daily basis, while most of the remaining companies use them only on special occasions. The majority of firms with employee hot lines said their use has remained steady over the past few years, but 40 percent reported expanded use, while seven percent reported a decrease.

Over half of the utilities participating in the survey have set up hotlines, as have almost two-thirds of the banks. Manufacturers of nondurable goods, and insurance and non-bank financial companies, are least likely to employ hotlines—less than 20 percent of the firms in each group does so.

[4]See James Wilson, *Employee Communication May Never Be the Same.* Communications World, January 1986.

Chapter 4

Program Evaluation and Tomorrow's Agenda

Looking ahead to the close of a decade in which turmoil and change seem the norm in the corporate sphere, employee communicators have set their sights on consolidating their position. Many are struggling to discard the role of technician—"the person to call when you want an article in the company periodical"—and to don the mantle of manager and resource person—someone management consults for help in "meeting the objectives of the organization and responding to the needs of employees." Says a public relations executive from a manufacturing firm:

> "The CEO really defines the organization and is the one who can implement change. That's the start. To be effective, people in this job have to recognize that they are business people who happen to be in communications, not communicators who happen to be in the business world. We have to be ready to talk management's language and to measure ourselves by a business yardstick. Our job is to encourage shifts in both management and employee attitudes, to explain changes to employees and to help make them more receptive. The day of 'trust me' public relations is over."

Assessing Program Impact

The majority of study participants report that they use one or more yardsticks to gauge the impact of their efforts among employees. Feedback comes from a variety of sources (see page 28). Surveys are probably the most formal—of the 165 firms reporting that they use this method, almost all do readership studies (see Exhibit 3). About 60 percent indicated that they have "audited" of their communications program. Audits vary in scope, but usually investigate the sources of employee information and try to pinpoint those areas in which employees feel adequately as well as inadequately informed. More extensive audits may probe for strengths and weaknesses in the entire internal communications process.

Other types of surveys, most often broad-based employee opinion or attitude polls, are mentioned by about a third of the firms. In addition to asking specific questions about employee communications, such polls may uncover problems that can be addressed though improved communication. (See Box, next page.)

Whether through surveys, interviews, focus group sessions with employees or other data-gathering techniques, about 120 firms (almost half of the 250 responding to the question) conducted a reappraisal of the employee communications program within the past three years. About half of this group hired an outside consultant to conduct the study.

Respondents report a variety of outcomes from their reappraisal efforts. About a quarter of the communicators did a major overhaul of their printed materials or created new communications vehicles, especially videos. In nearly 20 firms, special emphasis was placed on face-to-face communications. Respondents in 15 companies changed the focus or content of their program, usually making its messages more business oriented. An executive from a utility reported sweeping changes:

> "We increased meetings with employees, expanded our news bulletins, and developed a monthly video news show. We are sending more mailings to employees, including customer mailings. Electronic mail is now used to get news to employees before it is released publicly. We have organized a corporate communications committee and employee service committees."

Other shifts include targeting new employee audiences, adopting strategies to make senior management more visible, or upgrading the management of the communications function (e.g., by developing a policy, mission statement, or a comprehensive plan). A handful of companies reported that a complete reorganization of the function resulted from the reappraisal: "We used to report to the head of human resouces, but now we are grouped in a corporate communications division together with advertising, public relations, speechwriting, and corporate contributions," noted a respondent from an insurance company. In two companies, the corporate level function was cut back and responsibilities were decentralized to the divisional level.

Shifting Priorities

Asked in an open-ended question to state recent challenges and future goals, survey respondents most frequently mentioned efforts to have an impact on employee attitudes and behavior. Over the past few years, these efforts were centered on overcoming negative attitudes, bolstering morale, and helping employees adjust to a new corporate culture during a period of internal upheaval and transition.

The Employee Survey Process

At Southwestern Bell Telephone Company, public relations and human resources executives recently combined forces to administer an annual employee survey—a move that resulted in heightened visibility for the project. Generally, the survey is first announced by headquarters. The presidents of the company's state facilities are then asked to choose the level of detail they want for their units. For example, they may choose among broad, statewide results, results for each vice president, or go down to the level of district manager. These decisions determine the size and constitution of the sample.

In the most recent survey, about one in four employees was contacted, with a response rate of 68 percent. (Employees return questionnaires to an outside vendor, who codes the forms and does a verbatim printout of comments—the company never sees the completed survey forms. The vendor also produces data printouts based upon requirements of headquarters executives and the firm's state presidents.) In the most recent survey, 500 special reports were developed, up from 100 the previous year. When necessary, employee focus-group sessions are held to help interpret the peaks and valleys in the quantitative data.

As soon as the data for the company and the individual state locations are available, the public relations and human resources executives responsible for the study brief their respective vice presidents. At the next stage, the company president is informed of the survey results. After management at the company level has digested the results, key public relations and human resources people from each state are invited to headquarters for a detailed briefing. This session also includes training on how to develop an action plan to address problem areas identified in each unit—providing an opportunity for practitioners in human resources and public relations to coordinate their response to employee concerns.

The state-level executives return to their respective locations to continue the process by briefing their own management and by developing action plans. According to the company's Manager, Employee Information, the process is yielding positive results: "In most situations where a determined effort was made to address a problem identified in last year's survey, the results this year showed more favorable employee responses."

In the future, communicators want to continue to boost morale and to enhance management's credibility, but they also hope to influence employee performance. Practitioners will increase their emphasis on productivity, quality, and attention to customer service. In interviews, communicators stress the notion that change is a stepping-stone process and that there are limits to the pace at which employees and managers can adapt:

> "We are emphasizing driving responsibility down in the organization through decentralization. We find that it takes two years just to get it working at the level of general manager. People need time to adjust and to become comfortable with power before they can pass it down to the next level," says Monsanto's Director, Public Relations.
>
> "After four years, the questions employees ask at our CEO's annual business review have turned from personal, job-security issues to those that are strongly business related. They ask about new acquisitions and about how management is dealing with past problems," says the communications executive of a consumer products firm.

In the future, communicators will also stress corporate goals and objectives. Only 12 executives mentioned the need to explain corporate goals and objectives as a challenge in the recent past, but 80 identified this as a future priority. The emphasis on corporate goals and objectives is also apparent in the mission statements for employee communications discussed in Chapter 1.

Hopeful that the next few years will be a period of internal consolidation rather than of upheaval, communicators are also focusing on future techniques for delivering their messages. More than 70 executives stated that they hope to upgrade the way they deliver messages, some through revamping print materials, others by adopting nonprint techniques, whether video or electronic messaging. At least 50 communicators "vow" to improve two-way communications by soliciting more feedback from employees and promoting face-to-face meetings between employees and supervisors.

Securing the blessings and participation of top management and involving line managers in the employee communications process is high on the past and future agenda of many study participants. Several respondents commented that top management "only pays lip service" to employee communications. Asked in interviews for insights on how this might be overcome, practitioners admitted that CEO support is a prerequisite. To have a credible employee communications process, official access to information is necessary, and it must come on a timely basis, communicators contend: "Otherwise, the employee communicator is just part of the grapevine."

Once top management has opened the door, however, practitioners believe that it is the communications executive's responsibility to demonstrate the relevance of this function. "Communicators need to stop looking at themselves as information specialists and become part of the broader picture," says the Director of Communications for Cox Enterprises. "They need to ask themselves questions about today's issues in their corporation, to identify the corporate objectives, and then find ways to support the corporate effort..."

Indeed, survey participants appear to be headed in that direction. Although at least 80 respondents indicated that survival and adequate recognition by top and line management have been problems for them in the past, those 40 executives who anticipate dealing with such issues in the future have shifted their focus. They intend to stress their contribution to achieving corporate goals, to gather more feedback on the effectiveness of their communications efforts, and to improve the way their function is managed.

Exhibit 3: A Readership Survey — Transamerica Corporation

SURVEY

HELP US TAKE STOCK OF OURSELVES

WE WANT YOUR OPINION!

Please help us make *Transamerica Magazine* more interesting and useful to you by answering these 20 questions. Except where indicated, select the *one* answer that most closely reflects your feelings. And please add your comments in the spaces provided.

We'll summarize your opinions in the next issue of *Transamerica Magazine.*

1. How thoroughly do you read most issues of *Transamerica Magazine?*

☐ Read most stories ☐ Read some stories
☐ Skim stories ☐ Do not read
☐ I've never received an issue before

2. Overall, do you find the articles in *Transamerica Magazine:*

	Strongly Agree	*Agree*	*No Opinion*	*Disagree*	*Strongly Disagree*
Interesting	☐	☐	☐	☐	☐
Relevant to your work at Transamerica	☐	☐	☐	☐	☐
Believable	☐	☐	☐	☐	☐
Timely	☐	☐	☐	☐	☐
Informative	☐	☐	☐	☐	☐
Lively and readable	☐	☐	☐	☐	☐

3. Do you find most articles in *Transamerica Magazine:*

A. ☐ Too long ☐ About right ☐ Too short
B. ☐ Too formal ☐ About right ☐ Too informal

4. Overall, do you find the appearance of *Transamerica Magazine:*

☐ Well-designed and modern
☐ Average and ordinary
☐ Outdated and uninviting

If you checked "average and ordinary" or "outdated and uninviting," please give us suggestions for improving our design (check all that apply):

☐ Use more photos and illustrations
☐ Use fewer photos and illustrations
☐ Use more color
☐ Use less color
☐ Change format to newspaper
☐ Other: (please specify) _____

5. How well do you feel *Transamerica Magazine* performs in each of the following categories?

	Excellent	*Good*	*Fair*	*Poor*
Helps you understand Transamerica's goals and plans for the future	☐	☐	☐	☐
Motivates you to be more productive	☐	☐	☐	☐
Makes you appreciate being a part of the Transamerica "family"	☐	☐	☐	☐
Suggests solutions to help you solve work-related problems	☐	☐	☐	☐
Encourages you to help Transamerica reach its goals	☐	☐	☐	☐
Helps you understand how your job fits into Transamerica	☐	☐	☐	☐
Offers information that you don't get from other sources	☐	☐	☐	☐
Helps you understand how Transamerica Corporation adds value to your company	☐	☐	☐	☐
Overall, an interesting and useful publication	☐	☐	☐	☐

6. *Transamerica Magazine* features stories on a variety of topics that affect all Transamerica companies and employees.

Would you like to see more (or less) information on the following topics?

	More	*Okay As Is*	*Less*
Effect on Transamerica of external economic and legislative events	☐	☐	☐
Our performance vs. the competition	☐	☐	☐
Our community involvement	☐	☐	☐
Insurance and financial services industry updates	☐	☐	☐
Our products and services	☐	☐	☐
Our benefits plans and policies	☐	☐	☐
Customer service	☐	☐	☐
Our financial results and how we use our profits	☐	☐	☐
Our stand on current legislative issues	☐	☐	☐
Our goals and plans for the future	☐	☐	☐
Our advertising and promotional plans	☐	☐	☐

7. What kinds of articles would you like to see more (or less) of?

	More	*Okay As Is*	*Less*
In-depth interviews (Q&A format)	☐	☐	☐
In-depth feature articles	☐	☐	☐
Profiles of employees on the job	☐	☐	☐
Messages to employees from chairman Jim Harvey	☐	☐	☐
"Question Man" column (pose one question to several employees)	☐	☐	☐
Contests and puzzles (with questions related to articles in *Transamerica Magazine*)	☐	☐	☐
"Hard news" stories about events at Transamerica companies	☐	☐	☐

8. What other topics would you like to see covered in future issues of *Transamerica Magazine?*

_____

_____

9. How often would you prefer to receive *Transamerica Magazine?*

☐ Three times a year ☐ Quarterly ☐ Every other month
☐ Other (please specify): _____

10. How would you rate the distribution system for *Transamerica Magazine?*

☐ Excellent, I always receive a copy
☐ Good, but sometimes I have trouble getting a copy
☐ Poor, I rarely receive a copy

11. How do you receive *Transamerica Magazine?*

☐ Copy delivered directly to me by U.S. mail or inter-office mail
☐ My supervisor gives me a copy
☐ I take a copy from a general supply located in a central area
☐ Other (please specify): _____

On about what date did you receive the latest copy? _____

Continued on other side

12. We've listed some possible sources of information about Transamerica's goals, plans and overall operations. In the spaces provided under (I.) below, please indicate your top three *current* sources of this kind of information. Then in the spaces provided under (II.), please indicate the three sources from which you would *prefer* to get this kind of information.

A) My supervisor
B) The grapevine
C) *Transamerica Magazine*
D) Publications from my Transamerica company headquarters
E) Newsletters from my department, branch office or division
F) Small group meetings
G) Bulletin boards
H) Videotape or slide "news magazine"
I) Memos
J) Newspapers, television, radio
K) Other (please specify): _____

(I.) Your top three *current* sources of information about Transamerica's goals, plans and overall operations:

_____

_____

_____

(II.) Your top three *preferred* sources of information about Transamerica's goals, plans and overall operations:

_____

_____

_____

13. If you were responsible for *Transamerica Magazine*, what would you change about the publication?

_____

_____

14. Please give us any further ideas on how to make *Transamerica Magazine* more interesting and useful to you.

_____

_____

15. Please tell us a little about yourself. Which Transamerica company do you work for or with?

_____

16. Do you work at:

☐ A Transamerica company headquarters office
☐ A branch office or other "field" facility
In what U.S. state or foreign country is your office located?

_____

17. How long have you worked for Transamerica (including your service at all Transamerica companies)?

☐ Under 1 year ☐ 1-4 years ☐ 5-9 years ☐ 10 years or more

18. What is your age?

☐ Under 25 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55 or over

19. Are you:

☐ Female ☐ Male

20. Is your present position:

☐ Clerical/Secretarial ☐ Technical/Professional
☐ Sales (other than insurance agent) ☐ Insurance agent
☐ Supervisory or middle-management ☐ Senior management
☐ Other: _____

If you'd like to be eligible to receive the poster and T-shirt from the 1987 Transamerica Open Tennis Tournament, please give us your name, mailing address at work, phone number at work and T-shirt size. **T-shirts will be mailed in late September.**

Name: _____

Mailing address: _____

_____

Phone: (_____) _____

T-shirt size: ☐ Small ☐ Medium ☐ Large ☐ Extra Large

Thanks very much for your time.
Please detach the top portion of the survey, fold the survey in thirds as indicated, staple it and drop it in the mail.

Appendix

Statements of Corporate Philosophy; Mission; Vision and Values

The Vision of Pacific Financial Companies

PACIFIC FINANCIAL COMPANIES has a rich heritage gathered over more than a century. We intend to build on that heritage, but not to be limited by it. While we expect our future to be bright, we must create it ourselves, giving it shape and substance.

A future does not arrive uninvited. It is built. And it is built soundly only when we know what we want it to be. We must first envision the future, then claim it by conducting ourselves daily in ways that bring it about.

We are a business — in fact, a number of businesses — and our future must include strong and sustained financial results. We best bring about such results by commitment to leadership. Leadership in terms of performance. Leadership in terms of behavior.

Leadership in performance requires innovative and cost-effective products and services, aimed at carefully selected markets to generate a sustained profitability.

Leadership in behavior means we value our relationship with clients and customers, we act as a concerned corporate citizen, and we nurture a working environment characterized by vigor, accountability, and exacting ethical standards.

Central to our vision is the conviction that growth and profits are essential, the end result of caring and responsive service to customers — of providing competitive products at the lowest possible cost consistent with the value added through our efforts. In following this vision, we continually renew an organization in which individuals have opportunities for personal growth and satisfaction within a supportive environment.

We want you to share this vision so that it permeates our entire organization.

Now, in greater detail, just what makes up our vision?

Elements of the Vision

THE fundamental thrust of Pacific Financial Companies is to grow while maintaining a strong financial position.

I. Marketing Leadership

To deliver a select number of insurance, financial, and administrative products and services to carefully targeted individual and institutional markets;

To require that new and continuing products and services meet competitive pricing and performance standards. We must measure ourselves and our products against the best, so that we remain a leadership company;

To use technology to secure competitive advantages in product design, administration, and marketing. We cannot assure our future unless we employ the appropriate contemporary tools of the present;

— and as a result

We shall achieve significant and sustainable growth.

II. Financial Strength

To achieve profits that provide funds for future expansion as well as an appropriate return on our invested capital;

To use profitability as the principal measure of corporate performance;

To obtain the lowest unit costs consistent with the products and services provided;

— and as a result

We shall enhance our position as an enduring, financially strong organization.

III. Working Environment

To provide challenging, meaningful, and rewarding employment opportunities;

To nurture a work environment built on five core values: openness, receptivity to change, risk taking, accountability, and goal orientation;

To generate commitment and involvement of our entire organization to our vision, values, and strategies;

To recognize that the company is the sum of its parts, and that each individual is a significant contributor to the company's overall success;

— and as a result

We shall maintain a working environment that invites full participation and commitment.

IV. Organizational Structure

To operate within centralized corporate direction a group of separate businesses — our strategic business units. These now consist of six: Financial and Retirement Services, Individual, Group Employee Benefit Operations (GEBO), Multiple-Employer Trust (MET), Pension Investments, and Pacific Financial Asset Management.

Each of these six separate businesses operates in one of three areas: Personal Financial Services, Employee Benefits, and Asset Management.

V. Elaboration on the Organizational Structure

Our emerging structure will encourage each business to function with increased decisiveness, authority, and accountability. Different operating characteristics such as different markets, products, processes, financial requirements, regulatory controls, and market positioning are recognized.

Each separate business (SBU) is responsible for developing and implementing its specialized strategy and business plan and does so through control of those functions critical to that implementation.

At the same time, the recognition that Pacific Financial Companies is a collection of businesses emphasizes the need for centralized corporate direction. Overall cohesiveness is provided by a central corporate organization (CCO) which includes General Management, corporate staff support, and centralized service functions.

General Management is responsible for:

- selection of SBU top management;
- allocation of resources among SBU's;
- setting policy appropriate to serve best the interests of the overall corporation or specific business units;
- determination of overall strategies to achieve an appropriate aggregate return on invested capital and to assure the continuing success of the corporation.

Corporate staff support:

- provides assistance, advice, and counsel to General Management and SBUs in the development and implementation of corporate policy and strategies.

(Costs for General Management and corporate staff support functions are not to be charged to SBUs but are to be covered by aggregate SBU profits.)

Central service functions:

- will be limited to those for which there is a compelling rationale for centralization based on considerations of cost and effectiveness.

(The desired relationship between an SBU and a CCO service function is that of customer and vendor. Costs for these functions will be reflected in charges to SBUs.)

Our corporate culture: What is it?

THE culture of a corporation has increasingly been recognized as having a major impact on the corporation's success. Culture is the climate, the personality of a company, and comprises a multitude of habits, attitudes, behaviors, ethical principles, and values shared and consistently adhered to by members of the corporation.

Unlike other resources, Pacific Financial Companies did not buy its culture intact in a finished form. It grew from the very beginning — as Pacific Mutual Life Insurance Company — over a century ago.

Looking back, it is possible to see how the growth of a culture occurs. Every act, every decision, every success, and, indeed, every failure contribute. The first policy sold to Leland Stanford...the disastrous "non-can" disability policy of the '30s...our early adoption of electronic data processing...our entry into the group business in 1949...the move to Newport Beach...the shift to a divisional structure, later superseded by SBUs...the expansion of our investment capabilities...the MET and M Group ventures...the people, the boldness, the vigor, the leadership. A culture is born and constantly reborn. Today we have entered a new age, dynamic, changing, intensely competitive. We are no longer a life insurance company only. We are a full-fledged financial services company — a family of companies beneath the umbrella of Pacific Financial Companies. A new age demands a new marketing identity.

So a culture grows, just as seeds promote growth. You must feed a culture, prune it, replant where necessary, until it includes the whole of the corporate environment. And if culture may be likened to a harvest of the seeds we sow, these seeds can be identified as our shared core values.

Our five core values — those we consider most important to our continued growth — are described in some detail.

Our shared core values:

I. Openness.

Openness is a prerequisite for all our other values. Without openness, the ongoing process of setting and meeting new goals cannot occur.

- Openness means willingness. Willing to listen. Willing to have your viewpoint challenged. Willing to question or challenge others' viewpoints. Willing to consider the new, the different, to think the unthinkable. Willing to share yourself with others.
- Openness means to communicate. Up, down, sideways. To make a concerted effort to inform and to seek to be informed. To give and receive constructive feedback.
- Openness means being available, with open minds and open doors.

II. Change.

Change is inevitable. It is part of business life and has recently accelerated in our industry. Our choices are either to identify, understand, and shape change for our benefit, or to allow it — unmodified — to impact us at will.

The choice is clear and imperative: we must be effective and positive change agents. Change that is constructive and positive can occur only in a climate of openness. Change is the vehicle that brings us to the future. And like the future, which must be invited and shaped, change must be harnessed and utilized.

III. Risk Taking.

Risk taking is a catalyst of change. A willingness to take informed risks, together with a spirit of innovation and teamwork, is necessary to achieve and sustain personal and corporate growth. The greatest successes invariably demand some risk taking — a willingness to fail.

- Informed risk taking comes from a willingness to act out of a deep-rooted conviction. It derives from a clear understanding of the ultimate goal — an understanding of mission, objectives, and the measures of business success.
- Without this understanding, risk taking is no more than a gamble, a hunch.
- Informed risk taking must be encouraged, irrespective of the success or failure of the effort itself. Not every effort will succeed, yet every conscientious effort should be appreciated.

IV. Accountability.

Accountability is the inseparable partner of risk taking. In a progression of values from openness to change to risk taking, accountability says, "The buck stops here." It is the statement of ownership and responsibility for action and results. Without personal accountability, the foregoing values are empty, unfulfilled abstractions.

- People take accountability when:
  - they understand goals and objectives — what defines success and what is required to achieve it;
  - they perceive what is required as reasonable and attainable. And they are given the resources necessary to achieve the desired result;
  - they understand and accept both the risk and reward involved, and that their efforts will make a difference and be appropriately recognized.

Accountability is thus an individual's state of mind which asks: "What more can I do to get the result?" and answers: "Whatever is necessary and feasible." In an accountable environment excuses are held to a minimum as is the pointing of blame for lack of results. It is an environment characterized by the self-motivating theme: Get on with it (GOWI), in spite of all obstacles that may exist. Accountability, with its pride of ownership, enables the individual to turn problems into challenges in pursuit of desired goals.

V. Goal Orientation.

All of the preceding values gain legitimacy only within the concept of goal orientation. Values that lead nowhere are value-less.

- Openness is an invitation to challenge accepted goals, methods, norms, behaviors.
- Change is valid only if examined in the context of existing or planned mission, performance, or direction.
- Risk taking is linked to planned or expected results or needs, or is linked to the desirability to challenge or replace current plans or goals.
- Accountability deals with the very essence of goal orientation: taking responsibility for achieving desired results.

To be goal oriented is to know where you are going and what it means when you get there. Realistically, in an organization it is a process that links together individuals and the organization through its various levels and functions. Therefore, goal setting becomes the keystone of organizational team building. And goals must exist in a time frame. Otherwise they tend to be never more than daydreams — china eggs that never hatch.

Conclusion

Having developed this statement, we intend to focus sharply the energies of this corporation, its people, and its businesses — to strengthen them in times of change through the clear communication, acceptance, and support of the vision, culture, and five core values to which Pacific Financial Companies is committed.

This paper is a preamble, in a sense an abridged history of Pacific Financial Companies vision, culture, and values — a shortcut to understanding why Pacific Financial Companies is a leadership company. The boldness of your own vision and the dedication of your own actions will fill the pages to come.

Harry G. Bubb
Chairman of the Board
Chief Executive Officer

Thomas C. Sutton
President

Vision and Values

Combustion Engineering, Inc.
Stamford, Connecticut

Combustion Engineering's vision is embodied in the three elements of its mission: a statement that sets the foundation for business strategies and decisions, a set of eight guiding principles by which we intend to conduct business day to day, and a list of factors that help us measure how successful we have been.

Mission Statement

Combustion Engineering's mission is to be a leading provider of engineered products, systems, and services to the worldwide power, process, and public sector markets.

In carrying out its mission, Combustion Engineering will:

- Foster an environment that encourages the professional and personal development of its employees,
- Develop and maintain long-term relationships with its clients,
- Expect management excellence, and
- Fulfill its responsibilities as a good corporate citizen in the countries and communities in which it operates.

In doing so, C-E will achieve its primary financial objective -- to create shareholder value through superior returns on capital.

Guiding Principles: How we intend to do business...

- Integrity
- Client Orientation
- Balanced Risk Taking
- Innovation
- Open Communication
- Teamwork
- Accountability
- Reward Performance

Success Factors: How we Measure Our Performance...

- Create shareholder value through superior returns on capital
- Achieve market leadership
- Provide timely and effective communication with stakeholders
- Be recognized for management excellence
- Maintain cost-effective access to worldwide capital markets
- Increase percentage of C-E's businesses with high value-added content
- Create a culture that attracts and retains quality employees

Guiding Principles: How we intend to do business...

Integrity

Integrity is the foundation for all of our actions and heads our List of Guiding Principles. It means being honest and trustworthy in all our actions. It means dealing with employees as well as clients with respect and with ethical conduct reflecting high moral standards. It requires sincerity in our communications and actions at all times.

Integrity with clients means consistently offering sound and reliable products and services to meet their needs. It means that we will strive to solve their problems with quality products and services of fair value.

Client Orientation

It is critical for us to understand and anticipate what our clients need so we can provide products and services that solve client problems and increase client profitability. To do this we must build long-term relationships with our clients by knowing their business and listening to their concerns carefully.

Client orientation includes delivering innovative, cost justified products and services in a timely manner to exactly meet our clients' requirements, as we discharge all commitments and fulfill all promises.

Client orientation recognizes and embraces the concept that the long-term success of Combustion Engineering and its employees is directly linked to the long-term success of our clients.

Balanced Risk Taking

Today's market and competitive environment requires that we aggressively develop new products, markets, and technologies. Such opportunities may carry different degrees of risk than those associated with managing the Company in a more traditional environment. We must encourage our people to pursue such opportunities, while always utilizing good business judgement to insure that risks undertaken are balanced by the potential reward.

Innovation

Innovative, non-traditional solutions that fulfill clients' critical needs are important for differentiating us from our competitors. Therefore, we must seek opportunities to expand concepts and take new approaches to how we can improve client operations, our Company functions and individual capabilities.

To ensure that the innovation process provides value to our clients, we must understand their needs by "living in their world," listening carefully to their concerns and engaging each client in the process. The innovation process also should foster for our people an entrepreneurial atmosphere that is open to unique viewpoints, so each of us has the right and responsibility to seek out new ways to solve problems and generate opportunities.

Open Communication

Open communication requires the timely and regular sharing of knowledge that fills "misinformation" voids, builds confidence, enhances credibility, establishes trust and enables people to make decisions and seize opportunities. The process is multi-directional -- up, down, and sideways -- both in its internal and external applications; is done predominately face-to-face in honest and straightforward fashion, and requires attentive listening and thoughtful responding.

Teamwork

Teamwork is the means for leveraging our diverse resources. Through effective collaboration and cooperation, we can ensure that our products, systems and services effectively solve our clients' problems.

While we encourage individual initiative, we recognize that shared knowledge and creativity will provide us with market opportunities and produce client benefits greater than those created by any one individual.

We must all be willing to work together as leaders, participants and supporters of teams.

Accountability

Individual accountability for commitments is an essential ingredient for business success. Accountability requires that each individual recognize and undertake timely initiatives and interactions with others -- both inside and outside the Company -- which will insure that we meet commitments, solve problems or achieve goals. We must accept accountability for our commitments with clients, business associates within the Company, suppliers, government and community agencies or other stakeholders.

Reward Performance

We reward performance that embodies our operating philosophy, our guiding principles and demonstrates commitment to quantified goals achievement. We encourage peak performance by making clear to all employees the direct linkage between individual accountability, performance and rewards. We acknowledge desired results with fair and timely rewards and recognition

The names Combustion Engineering, C-E, Combustion, or the Company, as used in this publication, refer to Combustion Engineering, Inc., or its subsidiaries.

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COMBUSTION ENGINEERING

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Wells Fargo Bank

Employee Handbook

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Table A1: Use of Meetings to Achieve Communications Goals

(281 Respondents)

	Employee Communications Goals*												
	Morale	Internal Change	Comp./ Benefits	Products	Organiza-tion	Ethics	Culture	Ext. Bus. Envir.	Produc-tivity	Quality Orient.	Entre-preneurship	Health/ Social	Community
INDUSTRY GROUPS													
Manufacturing	73%	69%	75%	39%	46%	42%	53%	51%	71%	74%	48%	46%	24%
Durable goods	77	79	80	45	49	44	52	55	73	76	45	51	25
Nondurable goods	67	56	69	31	42	39	53	47	69	73	52	40	23
Service	76	55	64	39	43	32	47	42	62	62	42	41	29
Utilities	83	58	77	43	53	40	57	57	70	64	41	55	36
Financial services	70	52	62	36	41	28	47	37	61	66	47	43	23
—Banking	68	44	50	53	38	29	47	35	62	68	44	38	26
—Insurance and other	73	60	77	30	43	27	47	40	60	63	50	43	20
Nonfinancial services	78	59	44	22	30	26	30	26	48	52	33	26	30
All companies	75	62	70	39	44	37	50	47	66	68	45	44	27

*For a full statement of goals, see Table 11, page 26.

Table A2: Use of Employee Periodicals to Achieve Communications Goals

(281 Respondents)

	Employee Communications Goals*												
	Morale	Internal Change	Comp./ Benefits	Products	Organiza-tion	Ethics	Culture	Ext. Bus. Envir.	Produc-tivity	Quality Orient.	Entre-preneurship	Health/ Social	Community
INDUSTRY GROUPS													
Manufacturing	90%	85%	67%	85%	82%	61%	77%	80%	85%	87%	55%	80%	65%
Durable goods	91	84	72	84	81	63	76	79	87	88	51	81	63
Nondurable goods	89	87	61	87	82	60	77	82	82	85	60	79	68
Service	89	87	77	81	86	42	76	82	83	83	54	73	82
Utilities	91	87	75	83	87	40	85	98	94	87	62	81	94
Financial services	91	91	86	81	84	44	75	77	83	84	53	72	81
—Banking	88	91	79	79	88	38	85	73	85	88	53	65	82
—Insurance and other	93	90	93	83	80	50	63	80	80	80	53	80	80
Nonfinancial services	85	81	59	78	89	41	63	63	63	74	37	59	59
All companies	90	86	72	83	84	51	76	81	84	85	54	76	74

*For a full statement of goals, see Table 11, page 26.

Table A3: Use of Audiovisuals to Achieve Communications Goals

(281 Respondents)

	Employee Communications Goals*												
	Morale	Internal Change	Comp./ Benefits	Products	Organiza- tion	Ethics	Culture	Ext. Bus. Envir.	Produc- tivity	Quality Orient.	Entre- preneurship	Health/ Social	Community
INDUSTRY GROUPS													
Manufacturing	53%	32%	53%	52%	32%	24%	41%	28%	50%	46%	25%	20%	15%
Durable goods	57	31	52	47	27	24	39	28	45	45	23	12	12
Nondurable goods	63	34	53	58	39	24	43	29	56	47	29	31	18
Service	67	42	45	49	37	21	42	32	53	53	26	29	28
Utilities	75	57	51	55	47	24	62	53	70	64	36	49	45
Financial services	61	37	45	44	30	16	41	27	42	47	22	17	20
—Banking	59	41	44	44	38	21	53	29	50	50	21	9	15
—Insurance and other	63	33	47	43	20	10	27	23	33	43	23	27	27
Nonfinancial services	67	26	33	48	37	26	7	4	44	44	18	18	15
All companies	64	37	49	50	35	22	42	30	52	49	26	25	22

*For a full statement of goals, see Table 11, page 26.

Table A4: Use of Management Letters/Bulletins to Achieve Communications Goals

(281 Respondents)

	Employee Communications Goals*												
	Morale	Internal Change	Comp./ Benefits	Products	Organiza- tion	Ethics	Culture	Ext. Bus. Envir.	Produc- tivity	Quality Orient.	Entre- preneurship	Health/ Social	Community
INDUSTRY GROUPS													
Manufacturing	71%	90%	66%	28%	74%	65%	47%	48%	49%	50%	31%	39%	36%
Durable goods	68	92	69	31	73	67	47	52	51	53	32	39	36
Nondurable goods	76	87	61	24	74	63	48	43	47	45	31	39	35
Service	64	86	66	32	62	57	42	48	57	55	24	34	46
Utilities	57	83	64	21	55	62	51	41	51	47	32	34	53
Financial services	64	91	67	45	70	55	37	50	61	61	17	36	47
—Banking	56	85	65	50	65	50	38	50	59	62	12	26	44
—Insurance and other	73	97	70	40	77	60	37	50	63	60	23	47	50
Nonfinancial services	76	81	67	22	56	52	37	56	59	56	26	30	33
All companies	68	88	66	30	68	61	45	48	53	52	28	36	41

*For a full statement of goals, see Table 11, page 26.